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Latin America

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Cuba

Paper Cited on U.S. Sanctions Recommendations

FL0703194995 Havana Radio Rebelde Network in Spanish 1800 GMT 7 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] U.S. President Bill Clinton's political advisers on international affairs recommend that he lift some of the sanctions on Cuba in an effort to improve relations with the island. THE WASHINGTON POST reported this on 7 March without revealing its sources. The newspaper reported that it has been proposed that the measures that the Clinton administration imposed during the so-called rafters crisis in August, when pressure from the right-wing Miami community forced him to ban remittances to Cuba and to reduce flights between Florida and Havana, be lifted. The Clinton advisers' suggestions coincide with the views of several sectors of the U.S. population, including congressional representatives who describe Washington's policy of pressure and hostility against Cuba as ineffective and obsolete. Nevertheless, THE WASHINGTON POST recognizes that if Clinton acts on this advice he will provoke the anger of highly reactionary individuals like Senator Jesse Helms, who, mired in ostracism, tries to strengthen the economic fence around Cuba. THE WASHINGTON POST said that Clinton has yet to accept the proposal.

Robaina Reacts to Suggestions

PA0803000295 Havana PRENSA LATINA in Spanish 2248 GMT 7 Mar 95

[FBIS Translated Text] Havana, 7 Mar (PL)—Foreign Minister Roberto Robaina today said Cuba would rather wait for official actions and decisions by the United States regarding the possible modification of certain embargo measures before making any public announcements on the issue.

The foreign minister's statements, which came at a news conference this afternoon, marked the first Cuban Government reaction to information originating in Washington related to alleged recommendations by President William Clinton's advisers supporting the lifting of some of the punitive measures against the island.

The measures that would be repealed, according to sources close to the White House, would include those adopted on 20 August 1994 and which restrict Cubans living in the United States from traveling to the island, as well as from transferring funds to relatives in Cuba.

Robaina pointed out that these regulations are related to laws imposed by Washington—laws that have been rejected by the international community—and he added that, if they are rescinded, such a move would represent the acknowledging of the wishes of the entire world.

Meeting with reporters at the Foreign Ministry, the foreign minister said his country would welcome any isolated attempt that suggested an end to the absurd and hostile U.S. policies that run counter to the times in which we are living, as well as counter to the wishes of everyone.

In other statements, Robaina pointed out the need to await the confirmation of this information, because, he added, many things must still take place for this to be authorized.

Robaina Criticizes Aid Conditions, Plans for Guantanamo

PA0803005595 Havana PRENSA LATINA in Spanish 2329 GMT 7 Mar 95

[FBIS Translated Text] Havana, 7 Mar (PL)—Foreign Minister Roberto Robaina today said Cuba will never accept conditions in order to receive aid to support its development plans.

At a news conference, the minister said that, in today's world, there are those who are attempting to impose on other nations concepts that represent interference in their internal affairs—interference disguised as an alleged defense of democracy and human rights.

Robaina, who travels to Copenhagen tomorrow to attend a foreign ministers meeting at the World Summit on Social Development, which opened yesterday in Denmark's capital, said the island wants the event to clearly define the responsibility wealthy countries have in connection with the poverty prevailing on the planet.

There are deficiencies in the draft Final Declaration and Plan of Action that will be debated at the conference, because a simple description of poverty is insufficient; it is necessary to exert efforts to resolve it, he said.

The minister said the report presented by Cuba at the international meeting proves that for 35 years Cuba has been doing what the draft plans are proposing to do, and he recalled that UN statistics confirm that 2.3 billion people worldwide live in abject poverty.

He then stressed that Havana supports every country's right to implement its own social development policy and that it opposes the insertion of new mechanisms in the United Nations to verify the actions of various nations.

We also reject international financial institutions' interference in the definition and implementation of those policies, he added.

In another part of the news conference, Robaina admitted that work is under way to prepare a second meeting with representatives of the Cuban emigrant community, but he said this will only take place after some contacts are established between groups and after agreements reached at the first conference, which was held in April 1994, are implemented.

Asked about an eventual U.S. plan to send civilians to guard Cuban migrants held at Guantanamo Naval Base, he said this is a violation within a greater violation, referring to the United States' maintenance of a presence at the enclave against Cuba's will.

Envoy Assails U.S.-Sponsored Rights Resolution in Geneva

PA0803042795 Havana PRENSA LATINA in Spanish 0157 GMT 8 Mar 95

[FBIS Translated Text] Geneva, 7 Mar (PL)—Cuban Ambassador Jose Perez Novoa today reported that Cuba reiterated it has nothing to be ashamed of in terms of human rights issues. This assertion was made while Cuba rejected, for the fourth year in a row, a U.S.-sponsored anti-Cuba resolution that was approved under pressure.

Presenting his government's position, Perez Novoa reported how his country had again confronted irregularities during the voting process for the proposed resolution, which was cosponsored by Washington and European states, including former Socialist countries.

The document was approved by 22 votes. However, 23 delegations abstained from voting and eight rejected it. The nations rejecting the resolution were: Angola, PRC, Guinea-Bissau, India, Indonesia, Nepal, Sudan, and Cuba.

Perez Novoa reiterated that his country does not accept impositions, and therefore, it will not accept the presence of a special rapporteur from the Human Rights Commission.

Cuba has been clear, precise, and comprehensive regarding this immoral exercise by the United States and the resolutions it has managed to impose since 1991 by using the crudest pressures, the ambassador stated.

He said: Today, we only come to reiterate that Cuba has a lot to be proud of in terms of human rights.

Another issue broached by the diplomat was the broad cooperation Cuban authorities have rendered in the area of human rights to the United Nations. He underscored that, contrary to his country's transparency and goodwill, Washington has supported the bloodiest and most ignominious tyrannies.

He charged that the United States does not recognize the resolution opposing the U.S. blockade, which has been approved by an overwhelming majority in the UN General Assembly for three straight years, and, on the contrary, it has approved laws to reinforce the blockade it adopted more than 30 years ago.

Perez Novoa noted that in the same Human Rights Commission Washington has exerted merciless pressure to prevent the adoption of a resolution that acknowledges human rights violations in its territory—a resolution that calls for effective cooperation to eradicate these violations.

The ambassador was referring to the program, which was presented by his country, that exposes violations stemming from racism and the racial discrimination prevalent in U.S. society. The commission had rejected this proposal a few minutes earlier.

Those who cannot continue to accuse my government of not cooperating with UN mechanisms seem to intentionally forget that Cuba was the first member in this body to invite a Human Rights Commission delegation to visit its territory in 1988, Perez Novoa recalled.

After mentioning Cuba's strong cooperation with the UN secretary general and other commission mechanisms, the ambassador emphasized that Cuba was the first Latin American country to invite a special human rights rapporteur to visit its territory.

He charged that such intentional oversights attempt to give the image of a Cuba that does not exist. The Cuban diplomat highlighted the work done to further in-depth examinations of situations against the human rights of millions of human beings.

Cuba, he asserted, is not the one pressuring delegations in the corridors. Instead, it clearly presents its criteria at the Human Rights Commission and does not accept impositions.

Foreign Minister Hopes Mexico To Resolve Crisis Soon

PA0803044195 Havana PRENSA LATINA in Spanish 2350 GMT 7 Mar 95

[FBIS Translated Text] Havana, 7 Mar (PL)—Foreign Minister Roberto Robaina said today in this capital that Cuba hopes that Mexico resolves the current situation in not only the best possible way, but as quickly as possible.

In statements to local and foreign journalists, the Cuban foreign minister recognized the difficult situation Mexico is going through as well as the obvious repercussions throughout the entire area.

He added that Cuba would like nothing better than that Mexicans find a solution; the capacity and talent exists for this.

Finally, Robaina said that for the good of all the Latin American and Caribbean region, it is necessary that the current situation reaches a happy conclusion as quickly as possible.

NGO's in Copenhagen Dispense Summit Criticisms

FL0803031495 Havana Radio Reloj Network in Spanish 20350 GMT 7 Mar 95

[FBIS Translated Text] In Copenhagen, Cuban Non-Governmental Organizations [NGO's] are handing out booklets that criticize the projects that national leaders will sign during the social development summit. The booklet expresses 30 opinions on the summit's final resolution and the proposed projects that the participating nations' leaders will review next weekend. The booklet points out that those documents do not cover the principles of a country's sovereignty and self-determination with sufficient clarity. Cuba's NGO's point out that the documents should reconfirm each nation's right to implement its own model of development, from the point of view of that nation's own interests, traditions, and culture, without any external intervention or pressure. The Cuban activists in Copenhagen point out that these documents vindicate neoliberal adjustments imposed by financial organizations because these projects include only social objectives.

In this booklet, which criticizes the social development summit's resolution and proposed projects, the Cuban NGO's insist on the need to revise the concepts contained in both documents. Cuba's NGO's point out that these documents do not resolve the problem of unequal distribution and that modifications to international situations are limited to only a small number of issues. Both the resolution and the proposed projects that will be signed by the leaders who travel to Copenhagen this coming weekend timidly mention the arms race and the undemocratic character of the United Nations. The Cuban NGO's, who are very active in Copenhagen, point out that these documents do not give a clear answer regarding the issue of resources, which will be needed to carry out the projects accorded during the summit.

Official Begins Economic 'Offensive' in Central America

PA0803011195 Havana PRENSA LATINA in Spanish 1727 GMT 7 Mar 95

[FBIS Translated Text] Havana, 7 Mar (PL)—Carlos Martinez Salsamendi, president of the Cuban Chamber of Commerce, initiated today an economic and commercial offensive in Central America to spur contacts between the island and that region, it was official informed here.

Martinez Salsamendi's tour includes Panama, Nicaragua, El Salvador, Honduras, Guatemala, and Costa Rica, nations in which he will start negotiations to establish relations with institutional counterparts in that part of the hemisphere, the National News Agency (AIN) reported.

The offensive includes the furthering of two-way ties with the area, which still has a small share in Cuban trade, the official stated when he reported that the Cuban-Central American trade in 1994 represented only 1.5 percent of the island's total trade.

Martinez Salsamendi will start his visit to Panama by attending the international commercial exhibit, Expocomer'95, which is to be inaugurated tomorrow. Cuba is participating in this event for the first time and has an official 54 square meter pavilion there.

In this country, as well as in the rest of the region, the Cuban delegation will try to promote the export of goods and services and identify possible sources of goods for Havana.

The tour, which concludes on 29 March, also seeks to encourage Central American businessmen to participate in fairs and exhibits organized by Cuba, especially ExpoCaribe and the International Exhibit of Havana (Fihav), scheduled to be held in Santiago de Cuba in June and in Havana in October and November, respectively.

The Cuban Chamber of Commerce has cooperation agreements with 49 chambers of commerce and 15 business committees in several countries in the world, none of which are located in this region.

Sugar Industry Vice Minister Discusses UBPC Problems

FL0703120795 Havana Radio Rebelde Network in Spanish 0000 GMT 7 Mar 95

[From the "Exclusive" program]

[FBIS Translated Text] This is an issue everyone is interested in, the Basic Cooperative Production Units [UBPC's]. The Sugar Industry Ministry has been evaluating the UBPC's. That is why today we will interview Raul Trujillo, first vice minister of the sugar industry.

[Begin Trujillo recording] We have begim to analyze the UBPCs' problems and difficulties, as well as how to resolve these problems. That is why we have implemented what we call categories for the UBPC's, each according to its problems.

In Cuba there are 1,426 UBPC's and in category one... [pauses] a category where there are the fewest problems, where an increase in production has been achieved compared to the year before, they have increased the area harvested, they have guaranteed the harvest, and they have obtained benefits by 30 June's closing date. These are UBPC's that are functioning with positive results. They are placed in category one. But of the 1,426 total UBPC's, there are only 127 in category one. There are 712 UBPC's in category two. These represent 50 percent of the UBPC's. This category is for UBPC's that have many problems that can be solved, not immediately, but in a short period of time, let's say in one year. These problems could be solved in one year. We have placed them in category two. Then there is category three. We have placed 587 UBPC's in this category. These UBPC's have many problems which do not have immediate solutions. [end recording]

Granma Province Sugarcane Goals Reported

FL0703120495 Havana Radio Rebelde Network in Spanish 0000 GMT 7 Mar 95

[From the "Exclusive" program]

[FBIS Translated Text] In Granma Province, one manual and one mechanical canecutting brigade have reached the 1 million arrobas mark during the present sugarcane harvest. These brigades are working at the Marcial Jimenez Basic Cooperative Production Unit, part of the Francisco Castro Sugarcane Complex, in Campechuela Municipality. The manual canecutters reached their goal as a tribute to the 30th anniversary of the millionaire program, thus achieving their goal 21 days ahead of schedule. The workers averaged almost 13,000 arrobas daily.

Report on Measures To Reactivate Economy

PA0803014295 Havana Radio Havana Cuba in Spanish 0000 GMT 7 Mar 95

[Report by Mario Munoz; from the "Evening Information Review" newscast]

[FBIS Translated Text] Although several measures have been implemented in Cuba to reactivate the national economy, most experts agree that these are the first of several that must continue to be taken. Otherwise the efforts would be wasted and the achievements that allowed 1994 to close with a reduction of circulating currency, a budget deficit reduction, and a 0.7 percent economic growth would undoubtedly be affected.

One of the essential mechanisms to complete the Cuban economy's cycle of control and planning is the regulation needed of all elements that affect monetary circulation. Right now in Cuba, the national currency, issued by the country's authorities, circulates. The freely convertible currency, which cannot be controlled by the island's government, is becoming one of the factors of influence in the correlation of the supply and demand of products.

I spoke with Tania Garcia on this thorny subject. She is a Cuban researcher at the Center of Studies on America.

[Begin Garcia recording] I do believe we are facing a dilemma. We need to apply an exchange rate based on the economy in order to measure the efficiency of the economy. I believe this is something we have all been arguing for; that the peso is not the same as a dollar, it is a peso. Setting a realistic exchange rate is a requirement in order to be able to measure efficiency. But this has consequences. Therefore, we must prepare for the consequences this will bring. Thus the problem is also how we are going to apply this. There is the method of a gradual devaluation designed to prevent a disruption of the national economy as a result of this problem.

There are companies which already appear to have fewer overdue loans or that are in a better position to face the devaluation of the currency. Nevertheless, it could certainly be disruptive. I believe the problem is not merely trying to solve the monetary dualism we will have at the beginning with this rate. We could certainly implement multiple rates for money circulation and the economy. This measure has both advantages and disadvantages, which must be considered. This is a complex topic. I believe saying it is not enough. I also believe we must begin to tackle it promptly.

I believe that it is necessary to base this analysis from the viewpoint of how a solution for money circulation will effect the domestic economy and the productive sectors. We must keep in mind that we must not delay this process anymore. [end recording]

The Cuban Government's decision to begin the current restructuring process, starting with the removal of excess liquidity, which is the basic way to control the budget deficit, was obviously timely. However, monetary policy measures such as the application of an exchange rate have been precluded and without these measures, Cuba's financial problem cannot be fully resolved.

Roundup of Economic Developments

FL0703170495

[FBIS Editorial Report] The following is a compilation of reports on Cuban economic developments monitored through 7 March.

Pinar del Rio Province's fishing efforts yielded "positive results" in 1994. Coloma fishermen have surpassed their goal for the first two months of 1995 by 175 tonnes of fish. (Havana Radio Rebelde Network in Spanish 1800 GMT 25 Feb 95)

Isla Azul enterprises has dedicated Punta la Cueva Hotel, in Cienfuegos Province. The hotel will offer 30 of its 67 rooms to Cuban tourists. (Havana Radio Rebelde Network in Spanish 0000 GMT 28 Feb 95)

The Revolutionary Armed Forces (FAR) has harvested over 130,000 quintales of tomatoes in southern Pinar del Rio Province. Although the harvest is lower than expected due to the residual effects of heavy rains in 1994, an average of 3,100 quintales per caballeria was harvested. (Havana Radio Rebelde Network in Spanish 1800 GMT 27 Feb 95)

The potato harvest is under way in Villa Clara and Ciego de Avila Provinces. In Villa Clara Province, the yield per caballeria of potato planted is expected to be over 5,000 quintales; in Ciego de Avila Province, estimates indicate that approximately 670,000 quintales of potatoes will be collected. Over 140 caballerias have been planted for this campaign. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 1 Mar 95)

Sancti Spiritus Province tobacco harvesters working on the current harvest have already harvested over 500,000 cujes—tobacco drying poles—more than was harvested during the same period last year. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 1 Mar 95)

Las Tunas Province construction workers built 1,181 homes for agricultural workers in the province in 1994. (Havana Radio Rebelde Network in Spanish 1000 GMT 1 Mar 95)

Over 23 million pesos worth of products have been sold in Havana Province farmers markets since they were opened. Nearly 87,000 quintales of tubers, vegetables, and grains were on sale during the period. Over 3,365,000 pesos have been collected in taxes, rent, and services. (Havana Radio Rebelde Network in Spanish 0000 GMT 1 Mar 95)

Desembarco del Granma military industrial enterprise, in Santiago de Cuba Province, has accrued 400,000 pesos in profits in 1994, the highest figure since its establishment. Desembarco del Granma, one of the FAR Civilian Workers Union's most outstanding enterprises, built four extended buses in 1994 and is planning to build 12 more in an effort to improve the transportation available to FAR forces. (Havana Radio Reloj Network in Spanish 2038 GMT 1 Mar 95)

The Nuevitas cement factory, in Camaguey Province, set a new, one-month, cement exporting record in February. The old record was set in May 1994, when slightly over 23 tonnes of cement was exported. The factory exported over 121,000 tonnes of cement in 1994. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 2 Mar 95)

The Villa Clara optical shop reported to the economic efficiency assembly that it produced approximately 31,000 pairs of glasses in 1994 despite material shortages and had accrued over $69,000 pesos in profits. (Havana Radio Reloj Network in Spanish 2030 GMT 3 Mar 95)

A new methane gas bottling plant has opened in Motembo, Villa Clara Province, to produce bottled methane gas for home and industrial use. The plant will produce approximately 50 bottles per day in the initial phase to be used for soldering at sugarcane mills instead of acetylene. This will help with savings, as each cylinder of acetylene costs approximately $14 and the provincial Sugar Industry Ministry installations consume over 80 per day. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 5 Mar 95)

A 20 February, Havana-datelined report states the Cuban weekly TRABAJADORES has reported that Cuba exported more than 55 million cigars in 1994 and expects to export 60 million cigars in 1995. The source added the amount of cigars exported is almost equivalent to that amount in dollars. (Havana PRENSA LATINA in Spanish 1750 GMT 20 Feb 95)

Santiago de Cuba Province's 'MMM Oriental' Radio on Air

FL0703174195 Havana Radio Rebelde Network in Spanish 1800 GMT 6 Mar 95

[From the "National Radio News"]

[FBIS Translated Text] MMM Oriental radio takes to the airwaves in Santiago de Cuba Province as part of activities commemorating the 37th anniversary of the Tercer Frente Oriental Mario Munoz Monroe. This is Cuba's 56th and Santiago de Cuba's eighth radio station. The newest of Cuba's radio stations is located 1,200 meters above sea level, right in the heart of Sierra Maestra, in the town of Cruces de los Banos. This town leads social and cultural development in Tercer Frente Municipality, Santiago de Cuba Province. MMM Oriental has its roots in Radio Rebelde, a rebel radio station serving Cuba's Revolution. There will be four hours of programming over a one-kilowatt transmitter during the station's initial phase, which will help spread the Revolution's work in this key area of the Turquino Plan and bring broadcasts to areas of Sierra Maestra. The western region's radio stations provided aid and technical advice. The new radio station has received a significant number of tapes with information. Commander of the Revolution Juan Almeida Bosque donated a collection of musical tapes to the new voice of Cuba's Sierra Maestra. (Josefa Brasero), vice president of the Cuban Radio and Television Institute, said during the official inauguration:

[Begin (Brasero) recording] I would like to point out that this radio station's experiences will be very important to Cuba's radio network. Here, in these mountains, where the Turquino Plan has been successful, our radio should communicate socioeconomic advances and accomplishments that are important to Cuba. [end recording]

Haiti

U.S. Presidential Mission Expected in Port-au-Prince

FL0703235195 Port-au-Prince Signal FM Radio in French 1130 GMT 7 Mar 95

[FBIS Translated Text] An important U.S. presidential mission on behalf of Haitian economic development is expected in Port-au-Prince on 7 March. The delegation will include Samuel Berger, Bill Clinton's assistant advisor for national security matters; about 20 businessmen; and members of the U.S. Congress. The delegation, to remain in the country until 8 March, will be led by Deputy Secretary of State Strobe Talbott, and will carry out U.S. efforts in favor of Hatian economic reconstruction. The communique... [pauses] According to a White House communique published last week, the economic liberalization launched by the Haitian Government in October 1994 has contributed to the creation of a freer environment more favorable to business.

The U.S. delegation will participate in the official establishment of an American-Haitian council for economic development aimed at reinforcing links between businessmen in the two countries. This delegation will begin intense talks today with President of the Republic Jean-Bertrand Aristide at the National Palace. The opening ceremony of this meeting is scheduled for 1400. At 1230 [as heard], a speech will be given by President Aristide and another by the president of this delegation, Strobe Talbott, U.S. deputy secretary of state, who is expected in Port-au-Prince today. The delegation will fly back to the United States on 8 March.

Guantanamo-Trained Policemen 'Fear for Their Lives'

FL0703235295 Port-au-Prince Signal FM Radio in French 1130 GMT 7 Mar 95

[FBIS Translated Text] Haitian policemen fear for their lives. The policemen trained at the Guantanamo base question their methods of functioning. They did not hide their indignation before the microphone of our reporter Kenol Dorvil. Wearing gray uniforms, these interim force police say they have only billy clubs for protection.

An official of the interim police force told the press there is no question of entrusting firearms to the Guantanamo policemen, explaining that those policemen must receive further training before receiving those kinds of weapons. The Guantanamo-trained police disagree: We must have other means of fighting insecurity.

[Begin recording, in Creole] [Unidentified Guantanamo-trained policeman] The men leave us with nothing to defend ourselves. This means they have not yet decided to give us weapons because... [pause] The people can see that too because we are walking without any weapons, taking on big jobs without weapons.

[Dorvil] Does that mean you are in danger?

[Policeman] Obviously we are in danger. Our lives are in danger because they are arresting a number of dangerous people.

[Dorvil] But it was said that you would be given weapons.

[Policeman] We have not yet been given them. [end recording]

President Jean-Bertrand Aristide called on the population to show more respect for the policemen wearing gray uniforms. Ironically, according to Aristide, they are called Ti Guanta [Little Guantanamo].

The U.S. Government ordered the training of some refugees at the Guantanamo base in Cuba shortly before the return of President Aristide on 15 October 1994. They have the mission of seeing to it that human rights are respected in Haiti. It has been reported that one of the victims of this year's carnival was a gray-uniformed policeman, spitefully beaten up by an unidentified individual. Many believe the interim-force officials should change this gray uniform, which is a symbol of the three years of hard times following the September 1991 coup d'etat.

Accused Subversives Appear Before Public Prosecutor

FL0803013095 Port-au-Prince Radio Metropole in French 1700 GMT 7 Mar 95

[FBIS Translated Excerpts] The first group of people accused of plotting against the government appeared before the public prosecutor. The Haitian authorities had arrested a number of people for planning terrorist actions to destabilize the government. Among the alleged authors are several members of the right wing and some former Army officers. Some appeared on 6 March in the public prosecutor's department of the court of first instance. Former Major Patrick Bastien denies any involvement in a plot. His attorneys pointed out to Radio Metropole that these arrests are highly irregular. Our correspondent Rodrigue Sejour reports:

[Begin recording] [Sejour] Former Maj. Patrick Bastien calls his arrest arbitrary and illegal, an arrest he says, without a mandate. The retired major, denying the accusations brought against him, asserts that he does not belong to any political party. Discharged from the Armed Forces on 25 November 1994, Patrick Bastien has, he said, been leading a quiet life since then.

[Begin Bastien, in Creole] I was discharged from the Army on 25 November. Since then, I have been leading a quiet life. I stay at home and am not involved in anything. For me to be involved in political affairs, I would have to have convictions, belong to a party, etc. I lead a life as a simple citizen. [end recording]

[Sejour] Counsel for the defense of Dieumaitre Lucas and Patrick Bastien, through spokesman Attorney Constantin Mayard Paul, severely criticized the government commissioner for having, on one hand, unfairly imprisoned its clients, and on the other hand, for having issued warrants for their arrests, in blatant violation of the provisions of the criminal code. The procedure followed by the government commissioner is irregular, according to Attorney Mayard-Paul, because the transfer of the case to the examining board by the government should have preceded the hearing of the accused. [passage omitted]

The files of the accused are still not in the hands of the defense attorneys, who are complaining about this. The government commissioner, Attorney Auguste Brutus, maintains that he has respected the rules of procedure in this matter. The public prosecutor's department is not, according to him, a trial court. [passage omitted]

Reproached by the defense counsel for having acted on simple memorandum and not on complaints against the accused, the government commissioner says he considers the memorandum a complaint. The files are now being studied by the examining board. The defense, in a letter to the examining judge, is requesting the release of Dieumaitre Lucas. [end recording]

'Neo-Duvalierist Forces' Charged With MPP Murder

FL0703235395 Port-au-Prince Signal FM Radio in French 1130 GMT 7 Jan 95

[FBIS Translated Text] The National Front for Change and Democracy and the Lavalas Political Organization [OPL] have been targeted for acts of violence throughout the country. Chavannes Jean-Baptiste, leader of the Papaye Peasants Movement [MPP], an organization that supports President Jean-Bertrand Aristide and is affiliated with OPL, on 6 January announced the assassination of Freudner Simon, an MPP partisan. Jean-Baptiste explained that Simon's shooting occurred on Delmas Road to the east of Port-au-Prince, attributing it to neo-Duvalierist forces. The MPP leader said it was a warning to his movement, which was established in the eastern part of the country, that the macoutes do not favor national reconciliation. He asked the government to prosecute and arrest Freudner Simon's murderers. The victim was the father of three children.

Eugene Declares Candidacy; Parties Announce Participation

FL0803020795 Port-au-Prince Radio Metropole in French 1700 GMT 7 Mar 95

[FBIS Translated Text] The first legislative, municipal, and local elections are scheduled for 4 June. A new candidate, Attorney Gregoire Eugene, has declared himself a presidential candidate in this year's elections. The leader of the Haitian Social Christian Party [PSCH] also indicated that he would campaign for all levels of candidates who match his political and ideological vision. Attorney Gregoire Eugene presented himself as a moderate.

According to the daily LE NOUVELLISTE, the pro-lavalas Open the Gate [Louvri Barie] party held a conference over the weekend in Saint-Marc for hundreds of partisans. The representatives of the Open the Gate party announced their participation at every level. The party's slogan is: Your hope is at the Level of your work [Mesu l'espoi ou se mesu travay ou].

MRN, [Movement for National Reconstruction], led by Rony Mondestin, continues its tour of the provinces. This political coalition held its southern assembly on 5 March to prepare for its participation in the coming elections. [passage omitted]

MOJED Accuses Government of Duvalier Methods

FL0803024095 Port-au-Prince Radio Metropole in French 1700 GMT 7 March 95

[FBIS Translated Text] A youth organization is criticizing the politics of President Aristide. The Youth Movement for Democracy, MOJED, accuses the current government of practicing government in the Duvalier way. We are saddened, write the leaders of MOJED, to see this manifest conflict betweeen the blatant realities of unemployment, misery, a high cost of living; and the policy of national reconciliation advocated by President Aristide. The president's return fooled us with uncertain, illusory promises, a return that implicitly promised greater material and social welfare and the reconciliation of the Haitian family, continues MOJED. However, says the movement, far from seeking solutions to concrete problems, this government loses itself in retrograde activities that recall Duvalierian practices. According to the leaders of this Youth Movement, the government just spent more than $2 million, of a $6 million budget, on espionage activities. Can the government's program limit itself to arrests and extravagance, ask the MOJED leaders.

Chamber of Deputies Approves U.S. Aid Package

PA0803022595 Mexico City Radio ACIR Network in Spanish 0157 GMT 8 Mar 95

[From the "Evening News Panorama" newscast]

[FBIS Translated Text] A few minutes ago, the tedium was broken here at the Senate when it received the minutes from the Chamber of Deputies authorizing the agreements that make possible the U.S. line of credit for Mexico. This happened just a few minutes ago. The Senate has just opened a session to receive the minutes.

The debate on the financial package the Mexican Government signed with the U.S. Government has just concluded at the Chamber of Deputies. The package was approved on a final vote of 289-159, with one abstention coming from Deputy Alejandro Rojas Diaz-Duran of the Institutional Revolutionary Party. Consequently, the Chamber of Deputies has given its approval to the financial package.

Senate Approves Draft Bill

PA0803050795 Mexico City XEW Television Network in Spanish 0430 GMT 8 Mar 95

[Report by Gabriela Resendez; from the "24 Hours" newscast]

[FBIS Translated Excerpt] I am reporting from the Senate where a few minutes ago, by 111 votes in favor and 7 against, the minutes of the draft bill authorizing the president to contract credits abroad was approved. The minutes had already been approved at the Chamber of Deputies, which was where it originated. Later on, it was sent to the Senate, which served as the reviewing chamber.

PGR To Investigate Ruiz Massieu Deposit in U.S. Bank

PA0703155095 Mexico City XEW Television Network in Spanish 0430 GMT 7 Mar 95

[From the "24 Hours" newscast]

[FBIS Translated Text] The situation of Mario Ruiz Massieu is becoming increasingly complicated.

The Mexican Attorney General's Office [PGR] will open a preliminary investigation into a deposit of approximately $7 million, $6,941,115 to be exact, Mario Ruiz Massieu made at the Texas Commerce Bank in Houston last November. The U.S. Customs Office in Los Angeles has told Mexican PGR officials about the existence of this and other accounts, the deposits of which added up to this total. This is why the PGR will open the preliminary investigation to investigate the source of this money and to find out whether taxes were paid.

Today, the PGR also issued a bulletin reading: The PGR and the Foreign Secretariat announce that the second district judge of Mexico State in Toluca issued an arrest warrant on 5 March against Mario Ruiz Massieu as the probable perpetrator of three crimes: intimidation, interfering with the administration of justice, and concealment. At 2200 on 5 March, the federal social mission, through the appropriate diplomatic channels, asked the U.S. State Department to temporarily arrest Mario Ruiz Massieu to begin the processing of his international extradition.

Ruiz Massieu was arrested at Newark International Airport in New Jersey on 3 March while trying to board a flight headed for Madrid. Ruiz Massieu was arrested for violating the currency control law after he lied to U.S. authorities about the amount of cash he was carrying.

'Beta Groups' To Operate in April Along U.S. Border

PA0803012095 Mexico City NOTIMEX in Spanish 1607 GMT 7 Mar 95

[FBIS Translated Text] Tijuana, 7 Mar (NOTIMEX)—The National Migration Institute [INM] in Baja California Norte State has reported that the police groups known as the "Beta Groups" will begin operating in the first week of April along the border with the United States.

INM delegate Gerardo Delgado Cruz said that the objective of the "Beta Groups" is to oversee the security of Mexican illegal aliens at the border with the United States. This is why the group will operate in Tecate, Ciudad Juarez, and Nuevo Laredo.

He said that these police forces, made up of agents from the three government branches, will be able to begin operating in the first week of April, adding that through these groups, more security and protection will be given to Mexican migrants on their way to the United States.

Violence and the attacks on Mexican migrant workers are the only reasons why the operation has been kicked off in Tecate, Baja California State; Ciudad Juarez, Chihuahua State; and Nuevo Laredo, Tamaulipas State, Delgado explained.

He also recalled that the "Beta Groups" are currently operating in Tijuana, Baja California State, and Nogales, Sonora State.

Banxico Cancels 3d Straight Tesobonos Auction

PA0703211895 Mexico City NOTIMEX in Spanish 1943 GMT 7 Mar 95

[FBIS Translated Text] Mexico City, 7 Mar (NOTIMEX)—The Bank of Mexico [Banxico] has canceled its scheduled 7 March auction of Tesobonos [treasury bonds]. Banxico had offered $100 million worth of the government bonds, but it canceled the auction because of low demand and high interest rates requested by investors.

Banxico had announced the auction of Tesobonos on 3 March, in which it offered $50 million worth of 91-day bonds and $50 million worth of 182-day bonds. In light of low demand and high interest rates requested by middlemen, Banxico canceled the auction, making this the third straight week in which it has been unable to sell tesobonos to investors.

Banxico added that, for this auction, investors were seeking interest rates of 24.59 percent for the 91-day bonds and 18.99 percent for the 182-day bonds. Banxico reported that investors had requested $35.4 million of the $50 million offered in Tesobonos with a 91-day maturity, while they requested only $500,000 of the $50 million offered in Tesobonos with a 182-day maturity. In turn, it decided to cancel the auction.

Analysts from the Arka brokerage firm told NOTIMEX that this is the third week in a row that no Tesobonos have been placed on the market, "and this is a clear signal that Banxico wants to reduce the amount of these instruments in circulation." They said these measures discourage investors from buying tesobonos, thereby encouraging them to turn to the Cetes [treasury certificates] market, where interest rates are attractive and above the 40 percent mark.

Secretary Cited on Increase in Transportation Rates

PA0703184095 Mexico City Radio ACIR Network in Spanish 0000 GMT 7 Mar 95

[Report by Claudia Ballestero; from the "Evening News Panorama" newscast]

[FBIS Translated Text] A 100-percent increase in transportation rates was authorized in the federal district by the end of the week, meaning if you had to pay 50 new cents to travel up to a maximum of 12 km before, you will now have to pay one new peso. There have been some abuses, of course. Environmentally sound taxis have been charging three new pesos since this morning, while yellow taxis are charging 2.40 pesos.

What is happening in Mexico State? Public transportation authorities in Mexico State are meeting with concessionaires of this indispensable service. An agreement could be reached tonight or tomorrow at the latest. What is imminent is that there will be an increase in public transportation rates in Mexico State. Here is a report by Claudia Ballestero:

[Ballestero] Saying that the economic situation of the public transportation sector is delicate and that it could lead to an end to this service in Mexico State, Communications and Transportation Secretary Enrique Vivas Palacios has said it is necessary and inevitable that an increase in public transportation rates be authorized this week. The official has said talks are being held with the transportation sector to agree on the percentage of rate increases. It is known thus far that transportation owners have requested a 40-percent increase, meaning the rate of 70 cents would increase to 1.20 pesos.

Enrique Vivas Palacios has said the new transportation rates will be announced after meeting with the transportation representatives. He has said alternative solutions are being sought, so the increase will not have a dire effect on consumers. He has said the government will soon create a state fund to renovate vehicular terminals and to improve service. This fund, which will go into effect this week, will start operating with a total of 10 million new pesos. In addition, studies will be continued to carry out the reorganization of routes. He concluded the authorization of an increase in the existing public transportation rates, which have been in existence for four years, is inevitable.

EZLN Rejects Presidential Initiative for Dialogue

PA0703172695 Mexico City Radio ACIR Network in Spanish 1300 GMT 7 Mar 95

[Report by Hugo Isaac Robles; from the "Panorama Newscast"]

[FBIS Translated Text] [Unidentified announcer] The Zapatist National Liberation Army, EZLN, rejected the presidential initiative for dialogue and peace in Chiapas, which will be debated during the special session of the Congress of the Union starting today.

The EZLN stated this initiative is a true setback on the path toward reaching a dignified and just solution to the conflict, because it reduces the Zapatists to a group of nonconformists. It added they are at a disadvantage, numerically speaking, within the so-called Follow-Up Commission with the participation of the Legislative Commission.

The EZLN admitted in a 2 March communique, however, the initiative is a sincere effort from the Legislative Commission that brings forward the spirit of dialogue of certain currents of the Mexican political class, including the PRI [Institutional Revolutionary Party] and the federal government, that are concerned with finding a political solution without a military crushing.

Hugo Isaac Robles is in San Cristobal. He has more details about the EZLN position on this bill:

[Robles] The EZLN rejected the bill for dialogue and peace in Chiapas, which will be debated during a special session of the Congress of the Union beginning today, but praised the spirit of dialogue that motivated it. It urged those responsible to continue seeking mechanisms to resume a dialogue leading to a definitive solution to the conflict.

In a communique revealed last night, the EZLN recognized there are currents within the government, even within the PRI, seeking a political solution and not a military crushing. The EZLN stated the initiative is a setback along the path to a dignified and just solution to the conflict. The EZLN stated the government must first recognize it as an organization of Mexican citizens, mostly Indians, if it wants to hold a dialogue with the EZLN. It stated the initiative confuses a free or a gray zone and physical space for the dialogue and negotiation, clarifying a free or gray zone is one established to distance two armed forces to prevent armed clashes.

The EZLN added the government turned back progress to zero by eliminating the free zones, which would prevent contacts between the armed forces. The EZLN recognized an important contribution in the initiative: A future amnesty law should be the result of a dialogue and a negotiation, not a prerequisite for the talks. The EZLN also recognized the sincere efforts and authentic concern of the Legislative Commission to find a means to achieve a just, dignified, and definitive solution to the conflict.

Draft Bill for Dialogue, Peace in Chiapas

PA0703011095 Mexico City LA JORNADA (PERFIL Supplement) in Spanish 3 Mar 95 pp I, II, III

["Draft Bill for Dialogue, Conciliation, and Dignified Peace in Chiapas" issued by President Ernesto Zedillo and members of the Legislative Commission for Dialogue and Conciliation in Chiapas in Mexico City on 1 March—all subheads published in boldface]

[FBIS Translated Text] Secretaries of the Senate: The executive branch and the Legislative Commission for Dialogue and Conciliation in Chiapas hereby present to the Congress this Draft Bill for Dialogue, Conciliation, and Dignified Peace in Chiapas.

The government is maintaining its position, in word and deed, that political negotiation within the framework of the law is the best solution of the conflict that erupted in Chiapas on 1 January 1994.

It is now necessary to move forward and lay the juridical groundwork for holding a dialogue and attaining peace. The reestablishment of the state of law is a prerequisite for providing comprehensive solutions to the serious injustices committed against those who live in the conflict zone, particularly those who live in the Indian communities.

The enforcement of the law in Chiapas must be affirmed through measures that can guarantee peace, justice, dignity, respect, and democracy for the men and women in this state, even those who chose violence on 1 January 1994, and whose social and political demands, particularly those related to the peasant and Indian communities, must be satisfied.

Peace in Chiapas is an aspiration shared by all Mexicans. For this reason, it is advisable that the executive and legislative branches jointly establish a juridical framework which, through dialogue and negotiation, harmony and peace can be secured to resolve the problems lying at the root of the conflict. It is necessary to go much further than to declare an amnesty that implies nothing more than judicial oblivion. The problems that sparked the conflict still exist. Justice and democracy in Mexico demand a legitimate solution.

The executive branch and the Legislative Commission for Dialogue and Conciliation are convinced that this is the time for reaching trustworthy agreements; for taking specific actions for the people's good; and for creating new and more just and more democratic forms of political relationships for the people in the area of conflict, as well as throughout Chiapas State.

The resumption of a dialogue and political negotiations is of the utmost importance. Therefore, to resume talks the government will guarantee geographic sites for negotiations—sites in which dialogue can be held with full protection for the participants therein.

The main interest of the proponents of this measure is the resumption of dialogue. In the search for a negotiated resolution to the serious conflict in Chiapas, they are mainly interested in expressing their untiring determination that politics and society in Mexico be realities of our coexistence.

The search is on for a peace that goes beyond a resolution of the conflict and serves to create conditions for equal opportunity, not only among the people of Chiapas, but among all Mexicans. In the end, the idea is to do away with discord and confrontation as a means to achieve change and, instead, to build a nation in which opportunities for participation and a more equitable distribution of social property can be a commitment, a rule, and a tangible everyday reality.

Legal Foundation for Dialogue

Both the executive branch and the corresponding congressional commission are convinced of the need to establish the legal foundations for dialogue and negotiation based on the premise that the only legitimate exercise of politics is the one carried out within the framework of institutions and the law. This is how, through politics and legal order, commitments are made and unity among Mexicans is reinforced. It is through politics and the law that we can ensure just regulations, guarantee the true exercise of freedom and well-being, and remain confident that both the present and the future can be renewed within a framework of social harmony.

The current stage of Mexico's history should be one of inclusion and tolerance. Social plurality should be faithfully reflected within institutions and the law. This is why Mexicans maintain the persistent desire to find within the country's political channels the means to express their demands and the guarantee that these demands can be justly and comprehensively satisfied. We trust that the dissatisfied groups in Chiapas will recognize in this draft bill the means to resolve their just demands and will use this instrument to incorporate themselves into the country's civil, social, and political life in full legality, dignity, patriotism, sense of responsibility, and confidence in their own destiny and the destiny of all Mexico.

The executive branch adheres and will continue to adhere to its firm commitment to establish complete democracy in Mexico with the creation and application of a legal order that can benefit everyone with justice. This same commitment was affirmed by Congress in its recent proposal to reform the state.

This bill expresses a clear political willingness to create the necessary juridical conditions for dialogue between the government and the group of people who, on 1 January, took part in the armed conflict in Chiapas. In this measure, the "dissatisfied group" or "group involved in the Chiapas conflict" will be used to refer to the self-proclaimed EZLN [Zapatist National Liberation Army].

Concord and Pacification Agreement

Within this context, this initiative foresees the adoption of commitments that will lead to an agreement of concord and pacification, which will set forth the ground rules—and it will do so within the state of law and in line with institutional paths—to ensure peace; deal with the causes that triggered discontent; promote the group's integration into a peaceful and legal way of life; deal with the legitimate demands and interests of the various sectors that comprise Chiapas society; promote social well-being and economic development; and state guidelines for amnesty, which shall be forwarded to the Honorable National Congress for approval.

Concord and Pacification Commission

Ensuring permanent interaction among the congressional Legislative Commission for Dialogue and Conciliation, the parties involved, and the mediation commission recognized by the federal government and the self-proclaimed EZLN is deemed beneficial in the effort to begin a dialogue and negotiation process and to ensure the continuity of this process. Therefore, the creation of a Concord and Pacification Commission is hereby submitted to the consideration of the National Congress. This commission will perform as a conduit for conciliation between the parties and will be able to contribute to bringing the parties closer together, in addition to establishing the foundations for a dialogue, particularly those pertaining to the specific venue, conditions, and agenda of such a dialogue. It will also be in a position to promote other actions to facilitate the negotiation process and to disseminate the contents and benefits of the legal system proposed during this process.

The mediation commission recognized by the two parties will work with the Concord and Pacification Commission, without hindering its mediation duties, as agreed among the parties.

Suspension of Investigation Procedures and Legal Action

Article 4 of the initiative proposes to the National Congress the possibility of suspending all ongoing investigation procedures and legal actions against the members of the dissatisfied groups who are currently fugitives from justice as one of the fundamental conditions for initiating talks and conciliation. This would allow the groups' designated negotiators to participate in the talks with the government's representatives, with the assurance that they will be able to move about freely and safely and not be detained or legally processed. This in turn will contribute to reaching accords that will make the agreement of concord and pacification a reality.

The proposed suspension will last 30 days, with the possibility of extending it for equal amounts of time as required by the negotiation process.

Within this context, the initiative sets forth measures to guarantee physical and political safety at the negotiation sites by banning all types of weapons and implementing measures to ensure freedom of movement and personal safety for the negotiators taking part in the process.

The grounds for this suspension are outlined in Article 486 of the Federal Code of Criminal Procedures. Paragraph 5 states that legal action may be suspended. The article states that, in addition to the specific cases listed therein, such a suspension may be applied in those cases which the law specifically orders, as is the case of this initiative.

Reintegration of Indians, Peasants to Their Homeland

The initiative prominently features guarantees and mechanisms to allow the region's Indians and peasants to return to their homeland, whether or not they participated in the activities of the EZLN. It is evident that they comprise the weakest rung of the social ladder and, for a number of reasons, have been forced to migrate. Therefore, it is the federal and the state government's duty to provide the means for them to return to their social and productive activities under peaceful and safe conditions.

Follow-Up and Verification Commission

The bill being submitted to the consideration of the National Congress also foresees the creation of a Follow-Up and Verification Commission, whose fundamental mission will be to follow up the commitments derived from the agreement of concord and pacification. Likewise, the commission could propose legal reforms derived from the agreement of concord and will publish the actions undertaken and the results of its actions.

The aforementioned commission will be formed by representatives of the Legislative Commission for Dialogue and Conciliation in Chiapas, the federal executive branch, and the dissatisfied group. A representative of the executive branch and another from the legislative branch of Chiapas, as well as individuals or institutions deemed helpful in achieving its objectives, can join this commission.

Promotion of Development of Indigenous and Peasant Communities

This bill reflects the interest in immediately addressing all of the causes that generated the emergence of the conflict in Chiapas, among which the indigenous and peasant communities' social and economic backwardness stands out. In view of this, the strengthening of actions between the government of the republic and the government of Chiapas is being sought in order that, in accordance with the provisions of the Federal Pact, the social and economic development of those communities will be supported in a priority manner.

In the same way, the bill proposes to increase the coordination of actions with the social and private sectors of Chiapas and to encourage permanent dialogue and cooperation among them as a factor that will contribute to improve relations in all spheres.

The previously mentioned measures are consistent with the support the branches of the Union must provide to the states, for the purpose of encouraging development and preserving the state of law with respect for the provisions established in the General Constitution of the republic.

Because of this, and based on Articles 25, 26, 73, Points 21, 22, and 30 of the Political Constitution of the United Mexican States, in relation with Article 468 and other related articles of the Federal Code of Criminal Procedures, through you, Honorable Secretaries, we submit to the consideration of this honorable National Congress, for changes in Articles 71, Points 1 and 2, and 72 of the Political Constitution, this draft **Law for Dialogue, Conciliation, and Dignified Peace in Chiapas**.

Preliminary Provisions

Article 1. This law has the objective of establishing the legal foundations to promote dialogue and conciliation in order to reach, through an agreement of concord and pacification, a just, honorable, and lasting solution to the armed conflict that began on 1 January 1994 in Chiapas.

Article 2. The agreement of concord and pacification to which the previous article refers will have the goal, among others, of establishing the bases that will:

I. Ensure just, honorable, and lasting peace in Chiapas with full respect for the state of law;

II. Address the causes that engendered the conflict and promote consensus solutions to various political, social, cultural, and economic demands within the state of law and through institutional channels;

III. Encourage the members of the group involved in the conflict to which Article 1 refers, who are making various social and political demands, to participate in the exercise of politics within the peaceful channels the state of law offers with absolute respect for their dignity and rights as Mexican citizens;

IV. Reconcile the legitimate interests and demands of the various sectors of Chiapas society;

V. Promote social well-being and sustainable economic development in Chiapas; and

VI. Propose guidelines for the amnesty which, as a result of the dialogue and conciliation process, will be granted by the National Congress for the events related to the Chiapas conflict that began on 1 January 1994.

Article 3. Representatives of the federal government and the group to which the previous article refers, with the participation of the Concord and Pacification Commission, will be involved in the agreement of concord and pacification foreseen in this law.

Concerning Dialogue and Negotiation

Article 4. To promote the conditions for dialogue and conciliation, as of the date of publication of this law in the OFFICIAL GAZETTE and during the next 30 days following its publication, the proper legal authorities will maintain suspended actions against the members of the group referred to in Part III of Article 1 who have not been brought to justice, and they will order that compliance with the arrest warrants issued within the framework of such actions be delayed for that period of time. Along these same lines, the PGR [Attorney General's Office] will suspend the investigations related to the circumstances referred to in Article 1 of this law for the same period of time.

Whenever the development and progress of the negotiations require it, the Concord and Pacification Commission will be entitled to ask for an extension for the same amount of time referred to in this article. In this case, the attorney general will be able to promote the appropriate actions before the proper judicial authorities, who will act in accordance with the terms stipulated in the previous paragraph.

Article 5. The federal government will agree with the group involved in the Chiapas conflict on timetables, agendas, and, in general, on the bases for the dialogue and the negotiation of the concord and pacification agreement contemplated in this law, with the participation, as warranted, of the Concord and Pacification Commission, as indicated in Article 8. This commission will propose, by consensus, the specific times for negotiations, which will be accepted by all parties.

Article 6. As the dialogue and negotiation process progresses, the federal government will adopt the necessary measures to guarantee the free transit of the leaders and negotiators of the aforementioned group and to ensure that neither they nor their possessions suffer any injury from any federal authority.

The proper authorities of the federal government will coordinate actions with those in Chiapas and the respective municipalities to ensure that the free transit and safety of the leaders and the negotiators of the group involved in the conflict mentioned in this law, as well as the safety of their possessions, will be guaranteed in keeping with the terms stipulated in the previous paragraph with the intervention, as warranted, of the Concord and Pacification Commission.

The federal government, in coordination with the Chiapas Government, and with the participation of the Concord and Pacification Commission will establish the physical and political conditions for the dialogue at the times of negotiation determined by common agreement and in which bearing any sort of weapons will be prohibited.

Article 7. The federal government in coordination with the Chiapas Government and the respective town councils will grant guarantees and facilities to the Indians and peasants in the conflict area for their reincorporation and settlement in their communities of origin. This provision is valid for all Indians and peasants, irrespective of their participation in the group involved in the Chiapas conflict.

Concerning the Concord and Pacification Commission

Article 8. The Concord and Pacification Commission will comprise members of the congressional Legislative Commission for Dialogue and Conciliation in Chiapas and the mediation group approved by the federal government and the group mentioned in Part III of Article 2, as well as a representative of the executive branch and a representative of the legislative branch of Chiapas.

The representatives of the federal legislative branch will be responsible for the presidency of the Concord and Pacification Commission in a rotational and periodical manner. Members of the commission elected jointly by all members of the commission will be responsible for the technical secretariat.

The commission will be entitled to appoint delegates who will be accredited before the federal government and the aforementioned rebel group.

Article 9. The Concord and Pacification Commission will be responsible for:

I. Contributing with the federal government and the group mentioned in the previous article to lay the foundations for a dialogue and the negotiation of the Concord and Pacification Commission mentioned in this law, which will include, among other things, the places and specific conditions for the negotiations and their agenda;

II. Facilitating the dialogue and negotiation and supporting the signing of the agreement of concord and pacification mentioned in this law;

III. Promoting before the proper authorities the conditions to conduct the dialogue in the specific places agreed upon for the negotiations;

IV. Negotiating before the Government Secretariat the adoption of the necessary measures for the adequate dissemination of this law; and

V. Negotiating before the attorney general the extensions referred to by Article 4 of this law.

Concerning the Follow-Up and Verification Commission

Article 10. A Follow-Up and Verification Commission will be established once the Concord and Pacification Agreement mentioned in this law is signed or when the federal government and the dissatisfied group deem appropriate, with approval of the Concord and Pacification Commission. The Follow-Up and Verification Commission will comprise the following:

I. Four representatives of the Legislative Commission for Dialogue and Conciliation in Chiapas of the National Congress;

II. Two representatives of the federal chief executive;

III. Two representatives of the aforementioned group.

The government and the legislature of Chiapas will be asked to appoint one representative each to the commission.

The commission may invite individuals or institutions as it sees fit to help it fulfill its goals.

Article 11. The Follow-Up and Verification Commission will be tasked with:

I. Following up on the commitments agreed upon between the federal government and the group involved in the conflict in Chiapas, within the concord and pacification process, to promote full compliance with them;

II. Proposing legal reforms derived from the concord and pacification agreement contemplated by this law; and

III. Publishing periodically the actions implemented and results obtained by the concord and pacification agreement in resolving the problems that led to the conflict mentioned by this law.

Final Articles

Article 12. The federal government will coordinate actions with the government of Chiapas and its city councils to ensure federal, state, and municipal actions and investments contained in the National Development Plan and state and municipal programs give priority to supporting Indian and peasant communities in this state of the federation.

It also will promote actions along with the social and private sectors to help establish and strengthen a permanent dialogue and cooperation among the various groups of Chiapas society. It will also promote the creation of mixed funds with federal, state, and municipal resources to finance specific programs to end the isolation of those Indian and peasant communities in Chiapas.

Article 13. Federal authorities, within the guidelines of their authority, will maintain internal sovereignty, security, and public order while maintaining coordination with the proper state authorities for this purpose.

The provisions of this law do not prevent the proper authorities from exercising the powers granted them and do not prevent security forces from fulfilling their responsibility of guaranteeing internal security and the administration of justice. The activities they carry out in response to an aggression will not imply violation of this law.

Provisional Articles

FIRST. This law will come into force on the day it is published in the OFFICIAL GAZETTE.

SECOND. This law will be disseminated by the media in Chiapas and must be posted in the various towns of the conflict area and written in the languages spoken in such localities.

THIRD. The Concord and Pacification Commission mentioned in this law will be installed on the third working day after it goes into force.

FOURTH. Extension agreements mentioned in Paragraph 2 of Article 4 of this law will be published in the OFFICIAL GAZETTE and posted under the terms specified in the second provisional article.

We reaffirm to you, secretaries, assurances of our highest consideration.

[Issued] Mexico City, Federal District, 1 March 1995

[Signed] Ernesto Zedillo Ponce de Leon, constitutional president of the United Mexican States

For the Legislative Commission for Dialogue and Conciliation in Chiapas of the Honorable National Congress:

Deputies Rodolfo Elizondo Torres, Fernando Perez Noriega, Juan Guerra Ochoa, Cesar Chavez Castillo, Jaime Martinez Veloz, Marco Antonio Michel Diaz, and Marcos Cruz Martinez

Senators Luis H. Alvarez Alvarez, Luis Felipe Bravo Mena, Heberto Castillo Martinez, Guillermo del Rio Ortegon, Pablo Salazar Mendiguchia, and Oscar Lopez Velarde

Senators Remark on EZLN Rejection of Chiapas Peace Bill

PA0703145695 Mexico City XEW Television Network in Spanish 0430 GMT 7 Mar 95

[From the "24 Hours" newscast]

[FBIS Translated Text] The Mexican Senate is reviewing a bill for peace in Chiapas.

Senators spoke during an interview on the proposals made by the EZLN [Zapatist National Liberation Army] regarding the Bill for Dialogue, Conciliation, and Dignified Peace in Chiapas.

Heberto Castillo, a PRD [Party of the Democratic Revolution] senator and a member of the Legislative Commission for Dialogue and Negotiation in Chiapas, has denied the EZLN proposals were a step backward on the road to peace:

[Begin Castillo recording] I do not believe it could be seen in that light, because I do not believe these are proposals the executive branch would not be willing to accept. The Legislative Commission is willing to discuss their proposal. There were only legal, constitutional impediments, but I do not see major obstacles. I believe we could negotiate. [end recording]

Pablo Salazar, a PRI [Institutional Revolutionary Party] senator who is also a member of the Legislative Commission for Dialogue and Negotiation in Chiapas, has said he would not be pessimistic about the EZLN's rejection of the law:

[Begin Salazar recording] We could say the EZLN generally accepts the law with three or four observations, which we must discuss, the reason why we are opening up a legislative process that would involve some discussion. During the discussions, we will determine whether their public observations can be accepted. [end recording]

Luis H. Alvarez, a PAN [National Action Party] senator, has said the following:

[Begin Alvarez recording] We have said that the initiative is a good one and that we would be willing to listen to other viewpoints to see whether they can be taken into account. That is the attitude that will guide our conduct when the debate is initiated in the Senate. [end recording]

He has said the initiative will include the granting of guarantees to allow all those wishing to participate in the dialogue to do so without fear of being arrested.

EZLN Asks If Government Secretariat Represents Government

PA0803005995 Mexico City LA JORNADA in Spanish 5 Mar 95 p 19

[Communique issued by the Clandestine Indian Revolutionary Committee-General Command of the Zapatist National Liberation Army "from the mountains of southeastern Mexico" on 24 February]

[FBIS Translated Text] Mexico.

24 February 1995
To the National Mediation Commission (Conai)
Brothers,

We are addressing you to inform you of our concerns about a number of questions.

First: Lately, we have noticed a confusion within the entities of the federal government. Many commissions and groups from several branches of the union speak their minds, make proposals, and take action on the possible solutions to the conflict. As far as we knew, the government had appointed the government Secretariat as its representative in the talks with the EZLN [Zapatist National Liberation Army] and in the process leading to a fair and worthy solution to our demands. However, other government entities such as the Attorney General's Office [PGR] are now involved. While we were holding talks with the government Secretariat, the PGR started persecuting the EZLN and issued arrest warrants. The executive branch ordered the federal Army to begin an offensive and to carry out police duties that do not fall under its jurisdiction, according to the Constitution. We wonder if the government Secretariat was only feigning to agree to a dialogue to gain time and prepare the police for military actions or if, ignoring those war-like preparations, the government Secretariat did not really represent the executive branch. We believe this situation must be explained. We cannot be negotiating with a government entity while the government is persecuting us and attacking us. We ask: Who is in charge of the federal government? Knowing this is important for us because we are willing to hold a dialogue aimed at finding a definite solution to the conflict. This will be possible only if the highest representatives of the conflicting parties are involved.

Second: We beg you, in your role as mediators, to address Mr. Ernesto Zedillo Ponce De Leon to find out what government entity is representing him in the negotiations for a political solution to the conflict. We also ask you to talk to the head of the government Secretariat to know if, as we talk to him, we are talking to the government, to a government entity, or to a powerful group within the government. The battles at the heart of the government apparatus do not interest us; they usually end up in murders. We only want to know with whom we are going to talk and how legitimate the representative appointed by the federal government is. So far, the EZLN only recognizes the government Secretariat as the government representative in the talks; however, the signals the government is sending seem to indicate that the government Secretariat does not represent the government.

Third: We stress to you our willingness to find a political, fair, and worthy solution to the conflict and to resume the talks as soon as possible once the government forces return to the positions they maintained on 8 February 1995. We ask you to take this message to Mr. Ernesto Zedillo Ponce De Leon and to ask him to explain his willingness to hold negotiations and the entity that would represent him in the negotiations.

Fourth: We inform you that the government forces have failed to carry out the federal executive order of suspending the advances that imply the risk of confrontation and that they continue to provoke our forces and to harass those civilians who sympathize with our legitimate struggle.

Fifth: The risk of an armed confrontation increases every day. It is necessary for them to increase their peaceful efforts.

Democracy!
Freedom!
Justice!

From the mountains of southeastern Mexico
Clandestine Indian Revolutionary Committee-General Command of the Zapatist National Liberation Army.
Mexico, February 1995.

EZLN Communique Denounces 'Arbitrary' Army Actions

PA0703235595 Mexico City LA JORNADA in Spanish 5 Mar 95 p 19

[Communique issued by the Clandestine Indian Revolutionary Committee-General Command of the Zapatist National Liberation Army from "the mountains of southeastern Mexico" on 25 February]

[FBIS Translated Text] Mexico

25 February 1995
To the people of Mexico.
To the peoples and governments of the world:
To the national and foreign media:

Brothers:

The Clandestine Indian Revolutionary Committee-General Command of the Zapatist National Liberation Army [EZLN], CCRI-CG, makes the following accusations:

First. The Federal Army has already moved on to the stage of destroying civilian settlements in its current offensive against the EZLN in the Lacandona Jungle, Chiapas.

Second. Today, a unit of the Federal Army, made up of thousands of infantrymen and up to 96 military vehicles, withdrew from the Prado ejido after destroying everything the local Indians had in their homes. This unit was quartered in the Prado ejido, located in what today is the "Francisco Gomez" (formerly Ocosingo) municipality, since 23 February 1995. The soldiers burned down three shacks, killed all the chickens and hens, and threw away all of the food, which consisted of salt, sugar, beans and maize. In addition, they left some sort of plastic balls with wires resembling explosives in all of the houses. The soldiers had already destroyed the hydroelectric plant, which supplied energy to the town; dismantled all the electric installations of the ejido; knocked down the fences around the pasture fields and pens; and tied down the horses without water and forage.

The inhabitants of the Prado ejido, who took refuge in the mountains because they were afraid of arbitrary actions by the government troops, helplessly witnessed how their few possessions were reduced to dust. In response to their demands for democracy, freedom, and justice, the supreme government ravages the Indian towns.

Third. The Federal Army repeats the lessons learned from their U.S. and Guatemalan teachers. Several communities have been destroyed in such a way. Thousands of Indians are being left in the most absolute poverty.

Fourth. This is only an example of the true intentions of the bad government: It destroys Indian dignity and seeks to force the EZLN to dialogue on its knees.

Fifth. We will not surrender. We will fight to defend what is ours: our dignity.

Democracy! Freedom! Justice!
From the mountains of southeastern Mexico. CCRI-CG of the EZLN.

Threats by Guerrero Governor Alleged

95CA0152A Mexico City LA JORNADA in Spanish 23 Feb 95 p 37

[Article by correspondent Jose Manuel Benitez]

[FBIS Translated Text] Chilpancingo, Guerrero, 22 Feb—Governor Ruben Figueroa Alcocer allegedly threatened five members of the 500 Years of Indian Resistance Guerrero Council during a meeting yesterday at the governor's official residence at which they protested his failure to keep the promises he made in October.

PRD [Party of the Democratic Revolution] Federal Deputy Martin Equihua Equihua, his alternate Pedro de Jesus Alejandro, Martha de Jesus Caballero, Martha Sanchez Nestor, and Guillermo Alvarez Nicanor, were at the meeting with the governor.

Figueroa Alcocer had summoned the leaders of the Guerrero Council to discuss the call, published in the local press, for a march into the nation's capital, a march dubbed

"Mexico: Never Again Without Us," whose purpose was to insist that the many demands of the state's Indians be heeded.

The governor's office called the office of the council to say that Figueroa Alcocer wanted to talk with Equihua Equihua. The five persons mentioned above attended.

Their talk was reportedly "respectful during the first part" until comments were made about Chiapas, and the governor's tone changed "from bluntness to mockery and warning. He accused us of promoting war and made it clear to us that young people are the ones who are dying," a letter of complaint says.

"Forget about Marcos," he told Martin Equihua, pointing a threatening finger at him. "He will soon be resting in peace, for good. Guerrero is not Chiapas. If something like that breaks out here, you don't know what is in store for you. Young people like you are the ones who die first. I already lived through that here. Five thousand people died. Remember that," Figueroa reportedly told the delegation.

He reminded Equihua of his Michoacan roots. "Don't forget it, especially you," he said curtly. He reportedly warned the others: "I'm telling you this so that you get it straight. This is the way it is."

According to the communique from the Guerrero Council, the members of the delegation replied that their methods of struggle are "always peaceful and legal" and that they wanted to find a comprehensive solution to their demands. They also reminded the governor that all Mexicans have the right to move about freely, to freely express their ideas, and to demonstrate peacefully.

Meanwhile, in Mexico City the 500 Years of Indian Resistance Guerrero Council voiced its fears for the physical safety of Martin Equihua Equihua in the wake of the warning that Ruben Figueroa was said to have given him, our colleague Matilde Perez reports.

The members of the organization reminded the governor that the Guerrero Council's methods of struggle are peaceful and legal and that its members cannot renounce their right to demonstrate peacefully.

Secretary Addresses World Social Development Conference

PA0703200395 Mexico City NOTIMEX in Spanish 1445 GMT 7 Mar 95

[By Ricardo Alday]

[FBIS Translated Text] Copenhagen, 7 Mar (NOTIMEX)—Today, Mexico expressed to the international community its commitment to fight poverty and stated the corrective measures to retake the path of growth will have an impact on the country's population.

"The correction of imbalances to retake the path of sustained growth entails the need to adopt restrictive measures that inevitably will have an impact on the living conditions of the country's population," Social Development Secretary Carlos Rojas said.

Addressing the World Conference for Social Development being held in this capital, Rojas said it is "essential" that there be political resolve in times of stability or uncertainty" "to remove obstacles and seek new horizons of progress. [quotation marks as received]

"The exclusion of large sectors of the population is inconsistent with the consolidation of open and stable political systems," the official said.

Mexico, he said, "assumes that modernization will be feasible as long as less favored sectors find answers to their demands and their aspirations form part of a comprehensive development strategy."

He explained that to achieve its objectives, the government of President Ernesto Zedillo has proposed a comprehensive development strategy that combines the state and society's efforts to promote social development.

He said one of the greatest challenges is providing opportunities for income and well-being to approximately 14 million Mexicans living in "unacceptable" poverty levels.

He said "we are not starting from zero" in our efforts to find and implement specific solutions. "An intense program to provide attention to those groups has been promoted in recent years, based on solidaristic participation and organization." This, he added, enabled the country to simultaneously make progress in social betterment and face the effects of economic change.

Secretary Carlos Rojas spoke on behalf of Mexican President Zedillo, one of the presidents absent from the social development summit. Rojas heads the delegation that has traveled to Copenhagen.

El Salvador

Industrialists on U.S. Unions 'Pressuring' Local Unions

PA0803010395 San Salvador EL DIARIO DE HOY in Spanish 6 Mar 95 p 16

[FBIS Translated Text] Jorge Arriaza, general manager of the Salvadoran Association of Industrialists (ASI) has reported that U.S. unions are pressuring Salvadoran union leaders with regard to the maquilas [assembly part sector].

"They are pressuring Salvadoran union leaders who are asked to organize protests in front of the free zones and harass enterprises operating there," he said.

"We have notes from the U.S. Labor Committee [Comite Laboral de Estados Unidos] stating that the approval of a temporary trade program is very important for Salvadoran and Central American businessmen because it will permit them to introduce their products into the United States without paying taxes. In that regard, they advise the Salvadoran unions that this is a good time to pressure for labor demands," Arriaza added.

He said that he has learned that U.S. unions are financing their Salvadoran counterparts.

According to reports, the labor situation at the free zones is being controlled by Deputy Felix Blanco, who has organized a seminar entitled "Prospects for Organizing Unions of Free Zone Workers in Central America," which will be held in San Salvador from 20 to 25 March.

Last week, the Honduran Government reported that U.S. unions are manipulating Central American labor groups to promote the withdrawal of Asian maquilleras [assembly part] factories.

Guatemala

Mutual Support Group: Army Blocking Peace Process

PA0703201495 Guatemala City LA REPUBLICA in Spanish 5 Mar 95 p 7

[FBIS Translated Text] The Mutual Support Group (GAM), which monitors respect for human rights in this country, accused the Guatemalan Army on 4 March of "blocking" the peace process. It also charged that the Comprehensive Agreement on Human Rights signed by the government and the guerrillas is not being fulfilled.

GAM, founded by Nineth Montenegro, stated in a public statement that young peasants are being forced to enlist, saying the Army is resorting to threats and intimidation to force them to "voluntarily present themselves at the military garrisons."

The human rights group stated the Army arrives in villages saying those over 18 must serve in the Army. GAM stated the Army tells the villagers: "Those who are guerrillas do not want to be soldiers, so if you are not a guerrilla, you must go to the garrison." Young Indians are forced to join the Army with this type of intimidation.

GAM added "the Army has presented to Congress a draft law on the military and social service with the objective of blocking the peace negotiations process."

"In addition to being harmful to public interests, this action violates what was agreed upon by the parties involved in the negotiation and the United Nations, because one of the topics to be discussed is that issue, but in a comprehensive manner, including the demilitarization of society and the state, the dismantling of the repressive structure existing in rural and urban areas, and the disbanding of the PAC [Civilian Self-Defense Patrols] and other security forces," GAM stated.

It also stated that one year after the Comprehensive Agreement on Human Rights was signed by the government and the URNG [Guatemalan National Revolutionary Unity], there is a lack of resolve to comply with it, extrajudicial executions have increased, and the practice of forced disappearances, threats, and conscriptions has returned.

Narcotics Department To Fight Drug Trafficking in Peten

PA0703210495 Guatemala City PRENSA LIBRE in Spanish 5 Mar 95 p 7

[Report by Alvaro Galvez Mis]

[FBIS Translated Text] The Narcotics Operations Department, DOAN, will soon launch a special plan to fight drug trafficking in the Peten region. This plan will include the pursuance of those who disturb Mayan historical sites and efforts to stop the destruction and pillaging of pre-Hispanic sites.

DOAN, which consists of specialized agents of the Treasury Police, seeks to establish six commando units in reservation zones close to the Mexican and Belizean borders.

The new operations are aimed at eliminating abundant marijuana crops, preventing the destruction of reservation forests, fighting archaeological depredation, and neutralizing wild animal contraband.

Although the Treasury Police has kept its details secret, it is known the strategy includes the establishment of an operations center in the border town of Melchor de Mencos, which will have support commando units in San Fernando and Altar de Sacrificios at the Usumacinta River, El Naranjo and La Libertad, and in Santa Amelia and Dos Lagunas, two strategical areas in the extreme north of the department.

A DOAN member who has requested anonymity has confirmed to this newspaper that the initiation of this project might receive financial support from the U.S. Embassy. This activity seeks mainly to dismantle multiple drug trafficking gangs that have turned the Mayan sites into a type of gigantic marijuana plantation.

Honduras

Bomb Explodes at Liberal Party Headquarters

PA0803043395 Mexico City NOTIMEX in Spanish 0232 GMT 8 Mar 95

[FBIS Translated Text] Tegucigalpa, 7 Mar (NOTIMEX)—The police have reported that the headquarters of the ruling Liberal Party (PL) of Honduras, located in the capital of the country, sustained damage on 7 March due to a bomb attack that was attributed to a clandestine group. No injuries were reported.

An officer from the Public Security Force (FSP) told NOTIMEX that the bomb went off at 1850 (0050 GMT on 8 March) and damaged part of the structure of the PL building, located near Suyapa Avenue in southern Tegucigalpa.

The police pointed out that the clandestine Central American Solidarity Movement [Movimiento de Solidaridad Centroamericana] (Mosca) claimed responsibility for the attack in leaflets left in the site of the attack. The group did not explain the reasons for the attack.

The Mosca has distributed leaflets on other occasions defending the existence of the Armed Forces, but this is the first time it claimed responsibility for an attack since its emergence three months ago, the source underscored.

A previous communique attributed to the Mosca and distributed to human rights organizations one week ago rejected the government's plans for a voluntary draft, a recent controversial issue in Honduras.

President Carlos Roberto Reina is promoting a constitutional reform to eliminate the compulsory draft and make it voluntary, a reform that the Armed Forces reject.

Reina on Foreign Ministry Changes, Registry, Ties With U.S.

PA0703193395 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 7 Mar 95

[Report by Jose Danilo Izaguirre from "The Morning Paper" newscast—passages within quotations recorded]

[FBIS Translated Text] Are there going to be changes at the Foreign Ministry? President Carlos Roberto Reina talks about this issue after visiting the National Electoral Tribunal [TNE].

President Carlos Roberto Reina has announced changes at the Foreign Ministry but did not dare confirm whether Foreign Minister Ernesto Paz Aguilar was among the changes.

The president has said he will decide who will leave the Foreign Ministry only after his return from Europe. We have the president's statements regarding these changes and the topic of the Armed Forces.

President Carlos Roberto Reina has paid an official visit to the TNE and Civil Registry to learn of what is going on in these electoral organizations. He has promised to do everything possible to improve these institutions during his administration:

[Reina] "The electoral institution is fundamental for democracy, the reason why I have made the political decision to provide them with all my support. This day has been one of great progress. I swore in the ad hoc commission, the members of which are already conducting their first work session, this morning. All of this is a result of the government of consensus I want for our country. The technical modernization of the Civil Registry Office, where any doubts about the identification of a Honduran is cleared up, is basic for the strengthening of the Honduran democratic process of Honduras.

"Members of the TNE must be appointed magistrates so the dignity of their posts can be recognized. I want to tell you, Mr. TNE President and members, that I am bringing you this note in which I apprise you that the Presidency of the Republic has the pleasure of informing you that the request [two-second break in reception] for the amount of 110,000 lempiras, which will be used for the refurbishment and modernization of the installations of this institution, has been approved and will be delivered to you soon."

A reporter asked President Carlos Roberto Reina during the news conference whether he opposed the approval of the voluntary military service and whether this approval could be regarded as an achievement of the Liberal Party, and he answered:

[Reina] "Do you believe I would be so naive as to say it is a Liberal Party achievement?

[Izaguirre] "Mr. President, is your government willing to support the implementation of the home vote [voto domiciliario] in our country to prevent traditional parties from collecting money, which would only lead them to make commitments with investors?

[Reina] "The problem is that there are political urgencies sometimes when election time comes around. It becomes difficult, because the campaigns are extremely expensive. I believe we still have time. My decision is to support it. If Nicaragua was able to do it, why can't we? Nicaragua had plenty of international assistance. I hope this aid will come to Honduras with the prestige of the moral revolution. I support the home vote, Mr. Danilo Izaguirre."

We asked President Reina about the improvement of the Civil Registry Office as a guarantee for the identity of all Hondurans, and he answered:

[Reina] "What we have to do is to improve the Civil Registry Office. We have to put things in order; we have to clean up. Birth certificates may be obtained in 15 seconds. I do not know whether everyone is given the same treatment that is given to the president, but I obtained my birth certificate. I believe the democratic process is being consolidated. Their appointment as magistrates and the TNE's rank as the fourth branch of government is an aspiration that must emerge from resolutions issued by all parties, because it involves the passage of a law. The day we have an electoral branch such as the one in Costa Rica, where magistrates keep their seats for life, democracy in our country will be more reliable. We have to move in that direction.

"Honduras' prestige must prevail. The negative experiences we had in the past must be overcome so Honduras can join the democratic process with true conviction. I believe this should be done in this manner."

The Honduran president was asked about the breaking of relations with the U.S. Embassy, following the statements made by the Foreign Ministry, and he answered:

[Reina] "We cannot break relations with the U.S. Embassy. The public was able to follow this story through the media. There were accusations and counter-accusations. [Words indistinct] and visas were canceled. [Words indistinct] for the Honduran people. This is not a breaking of relations. There have been no more actions taken other than the ones covered by the media. Upon my return from Europe, which is not a pleasure trip—temperatures in Europe are 30 degrees below zero, definitely not pleasant for a Comayaguela Indian—I will make decisions on certain problems that have emerged in certain embassies and consulates as well as in the Foreign Ministry."

The president of the Republic has said he is no enemy of the Honduran Armed Forces. He has said his intention is to fight corruption at all levels in the country's centralized and decentralized institutions.

Nicaragua

H. Ortega Dismisses D. Ortega's National Dialogue Proposal

PA0703222495 Managua EL NUEVO DIARIO in Spanish 4 Mar 95 pp 1, 8

[Report by Aura Lila Moreno]

[FBIS Translated Text] Former National Army Chief Humberto Ortega has dismissed a proposal by his brother, Daniel Ortega, secretary general of the Sandinist National Liberation Front [FSLN], to hold a national dialogue to settle the constitutional crisis because he thinks negotiations should exclusively involve top representatives of the Legislative and Executive Branches.

Daniel Ortega has insisted on a broad dialogue involving all political, economic, and social sectors of the country to reach a national agreement not only on the constitutional amendments, but on the country's socioeconomic problems.

"The dialogue should involve the Executive and Legislative Branches, not everyone," the retired general said after meeting with President Violeta Chamorro. As part of an effort to rejoin civilian life, Ortega met this week with Cardinal Miguel Obando y Bravo and Assembly President Luis Humberto Guzman.

Seriousness of Clash Between Branches

In the opinion of the high-ranking retired military man, a dialogue should seek to settle differences between state branches on the reforms to the political Constitution.

"The most serious problem at present is the clash between branches," Ortega said. He played down the FSLN leader's proposal for a national dialogue. "A national accord is being built gradually, through phased-in agreements, as we travel each stretch of the road," Ortega pointed out.

A Political Agreement

"It would be somewhat bold on my part to suggest solutions," Ortega replied to a question on how the crisis could be settled. He added that when there is a clash between branches, as is the case at present, "juridical and legal considerations serve political ones."

This is why he underscored the need for a political negotiation. "If juridical and legal elements are worn out and there is great confusion, only a political agreement will untangle this situation," Ortega insisted.

Ortega briefed Dona Violeta about his meetings with Assembly President Luis Humberto Guzman and Cardinal Obando y Bravo. Ortega said the cardinal voiced his willingness to mediate "a consistent dialogue" as a witness.

Officials, Experts View Money Laundering

PA0703231295

[FBIS Editorial Report] Managua BARRICADA in Spanish on 6 March publishes four items on page 5 containing statements by officials or experts on the issue of money laundering activities in the country.

Maria Antonio Lopez states in the "Economic Forum" segment that "the media has brought up the thorny issue of money laundering activities on various occasions but seldom refers to the channels that are used." Lopez says one of these channels could be "the financial system," which "could facilitate the transfer of money in the area through the export of capital and money transfers if no strict controls are implemented." She adds that the authorities should carry out "an in-depth investigation to reveal who is really involved."

Gilberto Wong, vice chairman of the Private Bankers' Association, says "there are no effective mechanisms or procedures to detect money laundering activities" but bankers must know their clients and "monitor industrial and commercial operations" to certify that amounts involved are actually the result of those operations. Wong refers to capital drain and says many cases occurred in the 1970's but a sizeable part of that capital has been repatriated and is being invested in Nicaragua. He says "the private financial system has maintained the same levels of deposits and normalcy in its financial operations, which is restoring the public's confidence. The deposits in private banks have increased every month."

General Revenues Director Leonte Lola says "money laundering could be taking place through counterfeit brands as well as merchandise and vehicles stolen in other countries and brought through the Central American isthmus." The same goes for "real estate bought at extremely high prices" and "later sold at ridiculous prices." Lola says "the authorities' main role is to regulate trade and tax revenues, where most irregular situations have occurred." The official says the area's finance ministers recently met and discussed the exchange of information among customs officials to exercise better controls "and Nicaragua has no objections" in this concern.

Banking Superintendent Jose Angel Navarro says "it is difficult to pinpoint money laundering" and all you can do is try "to detect strange transactions" like "drastic decreases and increases in bank accounts." He said there is a bill that will enable "banks to identify those who deposit large amounts and to request information regarding the source of that money." He said contraband is probably the main way to launder money because there are no controls. He reviewed the banking system, including the percentage in dollars that banks must keep in the Central Bank of Nicaragua (at least 25 percent of their deposits) as part of their capital. He said banks must necessarily keep money abroad to pay imports, issue letters of credit, etc., but it all depends on the amount of business they do and the quantities involved.

Pastora's Party Gains Legal Status

95P20582B

[FBIS Editorial Report] Managua LA TRIBUNA in Spanish of 18 February 1995 on page 3A reports that former Sandinist commander Eden Pastora's political party, the Democratic Action Movement (MAD), has gained legal status. As a result, Pastora plans to begin campaigning for the 1996 elections as a "political alternative." According to the article, the MAD's goals include "promoting change and progress in Nicaragua by means of strengthening democracy, economic development, and social justice." Pastora said that the party will have to seek financing from abroad since it has used up its funds in obtaining legal status. He explained that as of now the MAD will not seek political alliances with other parties. Pastora called current government leaders "thieves" and said that orthodox Sandinists and Renewal Movement members are no different from one another.

Calero Considered Possible Coalition Leader

95P20582A

[FBIS Editorial Report] Managua LA PRENSA in Spanish of 22 February 1995 on page 20 reports that, according to the 16 February issue of the publication BOLSA DE NOTICIAS, PNC (National Conservative Party) President Adolfo Calero could be the "consensus" leader of a 1996 coalition. Calero could head a coalition of liberals, conservatives, and former Resistance members. The article explains that Calero has just returned from Spain with a promise from the Spanish People's Party to assist the PNC with funding, technical assistance, and training.

Argentina

Economy Minister Cavallo Interviewed

PY0703233495 Buenos Aires LA NACION in Spanish 5 Mar 95 Economy Section p 8

[Interview with Economy Minister Domingo Cavallo by Silvia Pisani and Eduardo De Simoni; place and date not given]

[FBIS Translated Excerpt] [LA NACION] In spite of the measures announced, the lack of confidence continues unabated. When will this crisis bottom out? How will we overcome it?

[Cavallo] We will surmount this crisis by persevering with what we are doing, and by providing more information on the real progress of the economy and on our achievements. This is a difficult ordeal, but will overcome it.

[LA NACION] The government thought the announced measures would be instrumental in reestablishing confidence in the country. And yet, this does not seem to have happened.

[Cavallo] We have had bad luck. The measures we announced were concurrent with two events that had a great impact. The first was the default by Alto Parana on its bonds. This adversely effected the markets because it raised the possibility that the private sector may not meet its obligations. At the same time, New York analysts negatively evaluated YPF's [Government Oil Deposits] decision to purchase a U.S. oil company. [passage omitted]

[LA NACION] Do you believe the agreement with the IMF may calm things down?

[Cavallo] IMF monitoring may help to make things totally above-board, and this is positive.

[LA NACION] Why do you think investors insistently demanded IMF monitoring? Could it be they do not trust the government's ability to make the necessary adjustment?

[Cavallo] No, I do not believe they demanded IMF monitoring so insistently. This was just a mistake in making ourselves understood. In 1994, we said we were not going to call for the disbursement [of the last two installments of the extended fund facility], we did so at the IMF suggestion because it had some constraints as regards available recourses. It was then that the IMF told Argentina it was a fully-fledged member that no longer needed IMF supervision, but nobody believed us here. The press and pundits said Argentina wanted to get away from IMF control. We explained that we were not leaving the IMF, that the latter would continue to monitor our accounts, but nobody believed us.

[LA NACION] The truth is the IMF fiscal targets were not met.

[Cavallo] Well, we said that quite desperately last October, when I appeared before Congress to submit the Social Security Solidarity Bill.

[LA NACION] Will we have to request a waiver or ask the IMF to release funds?

[Cavallo] That would be no problem at all. Now we need money, their loan is most welcome because we do not have access to credit markets as before.

[LA NACION] A few days ago, you said the disbursement of the IMF loans were not important.

[Cavallo] They would not be important under normal circumstances, when the resources received are used to strengthen the country's reserves. Now, given this special situation, they will mean we will not have to auction Treasury bills and we will be able to earmark them for making payments abroad. [passage omitted]

[LA NACION] Many businessmen believe the announced measures are insufficient. Will the government announce more measures?

[Cavallo] I think our announcements were more than enough. The measures have not yet been enacted by Congress.

[LA NACION] Do you think that, given the persistence of the crisis, it will be necessary to tighten up the adjustment program?

[Cavallo] I do not think we will need to cook up new measures every week in order to revive investors' confidence. Confidence is reestablished when the government proves it can adopt the necessary measures in a timely manner.

[LA NACION] Has the government has already burnt its boats and has no more leeway to implement further curbs in government spending?

[Cavallo] The government never burns its boats and there is always leeway to further cut spending both at federal level and in the provinces. National universities, for example, could reduce their expenditures quite a lot.

[LA NACION] How?

[Cavallo] There are nonteaching personnel engaged in politics who devote all their time to proselytizing—especially at the University of Buenos Aires. Big savings should be made there. The same holds good as regards the Armed Forces. I was criticized because I refused to grant them a wage hike. Nevertheless, the military are now aware that salaries of medium- and high-ranking officers have to be reduced. I must add, however, that it may be necessary to slash the salaries of judicial and legislative officials, who in many cases collect a higher salary than that of the military.

[LA NACION] Do you not believe there are signs of a recession battering Argentina as a result of the crisis?

[Cavallo] We are doing our best to avoid a recession. Our annual growth target is still 6.5 percent, although 4.5 percent is a more realistic projection. The question about a possible recession is like that of depression at a personal level. If everybody is convinced there will be a recession and acts accordingly, then a recession will surely ensue. It is like a prophecy that comes true. A person could commit suicide in a fit of depression even if the circumstances of her/his family life are not so very serious.

[LA NACION] Companies have good reason to fear a recession, because financing is nonexistent.

[Cavallo] There is a way to avoid a recession, namely by inspiring confidence. The government must do its utmost to achieve this. People should not let themselves be overwhelmed by all these tales of woe. One must look on the bright side.

[LA NACION] That sounds a bit too voluntaristic.

[Cavallo] No, it is realism. [Political analyst and professor] Mariano Grondona proposed an image—if somebody shouts "Fire!" in a cinema when the lights are out, it may have disastrous consequences. If the ruling class does not reverse this trend it will prompt many people—some for electoral reasons, others because the are masochists or suffer from depression—to say there will be a recession, then obviously a recession may follow.

[LA NACION] Do you contend that industrialists fail to grasp the reality of the situation?

[Cavallo] I am saying the wave of pessimism that has swept the country since the devaluation of the Mexican peso is becoming generalized and can harm us considerably. We, as part of the government, must spare no effort to reverse this situation.

[LA NACION] Do you deny that companies have serious problems in maintaining their levels of investment, to pay taxes or even wages?

[Cavallo] Of course they have problems. Whenever one is deprived of credit facilities one will have problems. But one has to keep one's composure if one is to overcome these problems.

[LA NACION] What do you suggest companies should do to move ahead in their retooling process?

[Cavallo] To continue to increase productivity, continue their investment schemes, look for partners and venture capital at home and abroad, and avoid incurring debts at high interest rates.

[LA NACION] Will the private sector have to reduce salaries as the government did?

[Cavallo] High remunerations of top executives, directors, and owners must be reduced because we must tighten our belts as much as we can. Both the private and public sectors must practice what they preach, starting from those in the upper echelons. It would be pointless to lower the salaries of the people on low incomes or to request those who already consume very little to reduce their consumption levels.

[LA NACION] Has an increase in Value Added Tax [VAT] been totally ruled out?

[Cavallo] The government can never say this or that has been totally ruled out because it depends on the circumstances. I can say that it is not a good policy to try to boost our tax revenues by increasing VAT rates or other taxes. We must continue to broaden the tax base. If Congress does not approve the bills submitted by the Executive Branch and increase VAT rates we will have to accept it, but this is not our proposal.

[LA NACION] Why do you blame Congress if the Executive Branch is empowered to increase taxes?

[Cavallo] It is, but only by a very small percentage. What I was saying is that Congress could increase VAT by refusing to broaden the tax base and taxes on personal assets. It could say: Gentlemen, use the power you have to increase VAT. Or they could just go ahead and increase VAT.

[LA NACION] The Executive Branch could also go ahead and increase VAT directly.

[Cavallo] Obviously, if Congress does not approve a broadening of the tax base as we proposed last week it will force us to increase VAT. Nevertheless, we think that would have little effect, besides we do not think we will fail. [passage omitted]

Official Explains $420 Million IMF Loan Installment

PY0703192895 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1607 GMT 4 Mar 95

[FBIS Translated Text] Buenos Aires, 4 Mar (NA)—Horacio Liendo, Argentine Economy Ministry legal, technical, and coordination secretary, said on 4 March that the IMF "has reached the conclusion that the economic measures Economy Minister Domingo Cavallo announced on 27 February comply with its fiscal requirements."

Liendo told NOTICIAS ARGENTINAS that the IMF will "disburse the remaining $420 million of the extended facilities loan because the 1995 economic program has been agreed upon."

Liendo explained that this disbursement will "complete the $3.7 billion line of credit the IMF had granted in 1992, and the same terms of payment will apply," because this is "part of one and the same loan, not a different one."

He added: "The possibility of asking the IMF for a waiver has not been considered," but he did not rule it out.

According to Liendo, the interest rate that the IMF will charge on this loan will be based on the "special drawing rights the IMF uses, but in any case it would be the lowest interest rate on the market."

He emphasized that the reports of the IMF auditors "must have been very favorable for the organization to agree to disburse the remainder of the loan."

Liendo made it clear, however, that the Argentine Economy Ministry does not know the contents of the documents that IMF staff auditors submitted after spending three weeks going over Argentina's public accounts.

"We found out that the auditors' report was favorable after the IMF people talked to the economy minister during the afternoon of 3 March to advise him that they were about to make the announcement," Liendo said.

He added that the $420 million "will be disbursed as soon as the IMF board approves the report that the staff has prepared, and this may happen very soon."

Liendo also said that the loan "will go to the national Treasury to be used in public accounts in general, because it is not earmarked for any specific purpose."

He emphasized that "the funds from this disbursement will be subject to enhanced monitoring," and did not rule out the possibility of reaching other agreements with the IMF that will yield new funds for Argentina.

Liendo also spoke about the economic measures announced on 27 February. He reaffirmed that "no projects have been scrapped," adding that aside from using YPF [Government Oil Deposits] as collateral, "an agreement is about to be reached with the IDB and the World Bank for a joint $1 billion loan."

He said: "A portion of these funds will be channeled into the Provincial Development Trust Fund [Fondo Fiduciario para el Desarrollo Provincial] for the privatization of provincial banks and public companies."

Liendo indicated that "interest rates went up significantly on 3 March, but as soon as news of the IMF loan hit the streets interest fell to 25 percent and there was money to spare."

According to him, this situation "shows that there is some shortage of credit, but it is not significant because as soon as relatively small amounts of money become available, everything goes back to normal, so we do not know how the market will behave on 6 March, but we hope that people will calm down and act rationally."

Presidential Secretary Praises IMF Accord

PY0703211095 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0106 GMT 4 Mar 95

[FBIS Translated Text] Buenos Aires, 4 Mar (NA)—Presidential Secretary General Eduardo Bauza said today that the money the IMF will loan Argentina is what "markets demanded" to calm the turmoil that has been affecting it since the Mexican crisis.

Bauza said the disbursement of the two $420 million sections of the Extended Facility Agreement will constitute a strong signal of trust for foreign investors.

"This attitude on the part of the IMF will provide an impetus toward trust in and for the country abroad and will permit us to continue operating within a framework of growth and development," the officially enthusiastically said.

Bauza is a member of the crisis committee that the government created to speed up the approval of economically significant bills in Congress. Economy Minister Domingo Cavallo, Interior Minister Carlos Corach, and Justicialist Party vice presidential candidate Carlos Ruckauf are also committee members.

The government decided on joint efforts to speed up the approval of bills that have been considered "indispensable" from the moment the crisis, which experienced a break yesterday with a strong market rally, started deteriorating.

As part of this decision, Cavallo and Buenos Aires Governor Eduardo Duhalde will meet on 7 March with ruling party deputies to discuss the approval of the small- and medium-sized enterprises [Pymes] flexibility bill.

Chamber of Deputies President Alberto Pierri made the announcement to reporters. Pierri confirmed that the Pymes law will be discussed again on 8 March. The last two attempts failed for lack of a quorum.

The Radical Civic Union conditioned its attendance at the new session to Cavallo's willingness to answer questions before the Chamber of Deputies.

Cavallo is also scheduled to meet with senators next week in an attempt to speed up the definitive approval of the Social Security Law, which has already been approved by the Chamber of Deputies.

IDB Reaffirms Support for Argentine Economic Program

PY0703190995 Buenos Aires TELAM in Spanish 0004 GMT 7 Mar 95

[FBIS Translated Text] Buenos Aires, 6 Mar (TELAM)—The Inter-American Development Bank (IDB) today reaffirmed its support for Argentine economic policy, and confirmed that it is reviewing along with the World Bank a loan of $1 billion to privatize the provincial banks.

An IDB communique released in Buenos Aires notes: "The IDB today expressed its firm support for the economic reform programs that have been implemented by Argentina so far and the government efforts to continue to adjust their fiscal and financial sectors."

The IDB estimates that the financial package to privatize the provincial banks will be received by the IDB board of directors for its approval during the second quarter.

A joint IDB and World Bank delegation is currently visiting Argentina, preparing this program.

During the past few years the IDB has supported the public sector reform programs with loans totaling $1.6 billion.

The IDB notes that these funds are complemented with the financing of investments in the production and social sectors for another $2 billion.

The IDB emphasizes: "The IDB financing for reforms in the public sector has facilitated the improvement of the regulatory and administrative systems governing both the Central Bank and the tax and budget systems."

The IDB also emphasized its support for rescheduling the foreign debt and privatizing and reforming the electric sector, as well as "the provincial programs aimed at enhancing the fiscal adjustment and the allocation of investments in the provinces."

The IDB announced: "Future loan programs, outside the program supporting the privatization of provincial banks, will concentrate on provincial investments, overcoming poverty, and modernizing the production infrastructure."

The IDB communique ultimately notes: "It is hoped that the commitments on new financing will range between $1 and $1.5 billion per year."

Campaign Strategies, Political Figures Viewed

95SM0214A Buenos Aires CLARIN in Spanish 12 Feb 95 pp 16-17

[Article by Ricardo Kirschbaum]

[FBIS Translated Text] What is the true face of the government toward the Radicals? The seductive face of Menem's political team, embodied in the Bauza-Corach duo? The armored intransigence of Cavallo, who wants to force candidate Massaccesi to yield until his province catches fire? The verbal abuse of Ruckauf, whose mission is to revive the specter of hyperinflation, over and over again? Or is it the face of Menem, who wields a lot of sticks and some carrots with respect to the Radical Civic Union (UCR) and its men, who, when they were in office, acted like firemen extinguishing the flames of mismanagement in La Rioja?

An approximate answer is that the government's face is made up of each and every one of these visages. They may become more or less prominent, depending on which line prevails in the Menem administration, or on whether necessity—or the opinion polls that flood government offices—calls for the use of **the carrot or the stick.**

This week, the internecine warfare followed its course, mixed also with Cavallo's fiscal urgings, as he wants to turn off the faucet to the provinces, particularly Rio Negro and Cordoba. In both cases, Cavallo is managing the funds with a certain amount of political vengeance, particularly with regard to Massaccesi, with whom he has had **a score to settle** for a long time. He must dampen his ardor somewhat in his dealings with Angeloz: The Cordoba governor's relations with Menem have survived political earthquakes, which forces Cavallo to behave with a certain amount of tact, a skill at which he is somewhat rusty.

Neither is it strange that Cavallo's absences open up the possibility for certain deals to be made. One was already made with Angeloz during the economy minister's previous visit to the United States, and another was made with Massaccesi during this trip to Miami.

At any rate, the assistance that Bauza and Corach painstakingly manage is a drop in the bucket. **But it helps untie the noose around Massaccesi's neck.**

On Wednesday the hotline linking Alfonsin to his usual contacts in the government was connected again. The former president demanded political rationality and consistency in the Menem administration. The Radicals reportedly pledged not to hinder the legislative processing of the laws in which the government is interested.

Bauza must certainly have understood the message: in politics, the simultaneous tactic of the carrot and the stick, brutally combined, ends up sterilizing any agreement.

For Bauza and Corach, the political top guns of this administration, there is no room for debate. The relationship with the Radicals was the key to paving the way for Menem's reelection, and it will be much more important in the future **if the economic scaffolding begins to get shaky.**

Alfonsin, regardless of the motivations that inspire the ruling party negotiators, knows how it feels when, in the middle of an economic storm, the government is left high and dry. The Radicals were extremely reticent when the hurricane of the Mexican devaluation buffeted the Menem administration; the Menem team cannot show such prudence under these circumstances. But Alfonsin assumes that this reticence gives him the right to complain about "discrimination" against the province that his party's candidate governs **with a free hand.**

Could the government be hoping that things will **get out of control** in Rio Negro? Is Cavallo seeking a repeat of Schiaretti's experience in the south? Those who are pushing that theory, however, have no response to the basic question: Does the government feel it will be unscathed by a provincial explosion? Does it think it can duck the political responsibility for failing to prevent the explosion?

Menem's, and above all, Ruckauf's tongue-lashings of the Radicals and Great Front members at the Mar del Plata event gave pause for thought about the ruling party's attitude toward the opposition. After each criticism, some of them extremely harsh, the president or his spokesman downplay it by saying that they are on the "campaign" trail, as if that justified loosing the political cannons.

This week the internal debate in the government continued its course:

- The **maximalists** have an ironclad argument with which they fill the president's ears every chance they get: Massaccesi must be kept below the water line to prevent any electoral surprise of a second round of balloting. The hardliners in this faction are the **historic** Menemists, to whom Cavallo's men have now yielded.

Right or wrong, they are pushing to toughen the rhetoric against the Radicals, and incidentally to be firm on the economic intransigence.

Cavallo, it is already known, always plays rough. Aware of the pilgrimage that the governors make to all the banks, he met recently with the principal bankers in Argentina to ask them not to give credit to the provinces. To be sure, the minister already knew that Massaccesi, after the Mexican crisis thwarted a transaction he had set up with the Banco Portugues del Atlantico, was trying to get some economic breathing room by negotiating an agreement with the Banco Rio that would involve putting up the Perez Companc's Rio Negro oil royalties as collateral.

With Cavallo as a battering ram, the maximalists claim that for electoral reasons it must be shown that Massaccesi cannot govern the country if he has those problems in his province, and that the governor of Rio Negro is the same as Alfonsin. In this connection, they want to encourage the association of **Massaccesi-Alfonsin-hyperinflation**.

- The **moderates** are urging them not to pull so hard on the noose. They do not advocate solving all the Radical candidate's problems, either, but they understand that Cavallo's stubbornness is almost personal. When the minister returned from his previous trip and found out that Menem had ordered Roque Fernandez, the head honcho at the Central Bank, to throw Angeloz a lifeline so that he could **dodge** the problem of the Social Bank, he **screamed bloody murder** and did battle with the secretary general. The episode will be repeated with Rio Negro.

This faction, whose nucleus fashioned the Olivos pact, maintains that if the opposition suddenly plummets—as the opinion polls commissioned by the government verify—the system itself will be damaged. It is necessary **to squeeze but not to strangle**, they say. And another gesture was added, emphasizing by contrast the harshness of the Justicialist Party (PJ) candidates' message. In the PJ publicity campaign, the episode of the looting and the hyperinflation figured prominently in a video that was shown in Mar del Plata. That part disappeared after a high-ranking Casa Rosada official ordered a "halt" to what he considered a "needless attack" on Alfonsin.

"In the end," joked an official on Friday, "the Radicals are causing us fewer problems than the La Rioja internal elections," which monopolized the entire week of the government's front line: Carlos Menem, Eduardo Menem, Bauza, and Corach.

One item from the intelligence reports was emphasized by the government's strategists, however: They picked up a story from a Radical source who maintained that the UCR was considering replacing its candidate with Governor Angeloz. Although the story seemed too crazy to be true, government officials began speculating about the electoral consequences of the alleged Radical gambit. According to the surveys, Angeloz was dangerously approaching 30 percent of voting intentions. Furthermore, they figured that the centrist votes Menem hopes to **reap** could go to the resuscitated Angeloz. They quickly concluded that this change would have to be prevented and the man from Rio Negro would have to be given a shot in the arm.

These reports indicated some nervous conversations among leaders of the UCR third line, alarmed at the plunge of the Radical candidate after the brief rise following the kickoff of his campaign. Those who are thinking about that gambit are surely unaware that the mechanism for changing a Radical candidate chosen in internal elections would be very complicated and would definitely exact a tremendous political price.

Not everything was political fiction. The meeting between Alfonsin and Angeloz on Thursday was to discuss a strategy for influencing the campaign, which Massaccesi prefers to run himself. But the electoral anemia of the group surrounding the candidate, most prominent of which is the old hand Cesar Jaroslavsky, and the activism of the former president and the governor of Cordoba, seem to be too big a contradiction.

These gaps, they promise, will begin to close when men more experienced with these political tasks, with quicker reflexes and more fruitful imaginations, join the leadership of Massaccesi's campaign. He also has problems with his team.

The situation in Massaccesi's province, where he is still leading in the polls, is getting him down. The governor would like to take a leave to devote himself fully to his campaign—next week he will be officially introduced in the United States, and a few days later he is to fly to Europe for the same purpose—but he is being held captive by the crisis in the province.

The numbers do not lie: He must climb the mountain again. In some districts, such as the capital, Massaccesi is not in second but in third place, after Chacho Alvarez's and Jose Octavio Bordon's Great Front candidates.

The government is already trumpeting victory because, even with the shaky financial system, the opinion polls are improving daily. An American academic visiting in Argentina right now stated that the strong likelihood that Menem will be reelected clears up an important question: "Can you imagine what would happen if the results in May were not assured?" he asked a high-ranking official on the economic team.

Naturally, this is a **key fact because it defuses any additional uncertainty**, but it does not make the entire picture clear. After all, the Mexicans had the political system locked up, and that did not prevent a catastrophe.

But the Peronists are already beginning to wrangle for the candidacy in 1999. So far, the battles have only been verbal, and there has been no major political operation. And the Cavallists want to lower the decibels of the supposed confrontation with Eduardo Duhalde.

"Duhalde cannot fight with us because we could step on his oxygen tube," explained a Treasury strategist, referring to the fund for his district that must be renewed every year in the budget discussions. Moreover, the inclusion of Juan Carlos Pesoa, a Cavallo aide, on the list of Duhalde candidates is cited as proof of the Buenos Aires leader's good will.

The challenge to Duhalde at Mar del Plata, where a follower of the media secretary, Guillermo Seita, is running against the governor's man for mayor, cannot be considered a political operation by Cavallo in Buenos Aires territory, but rather a display of political boldness by his former aide.

His friend Palito Ortega, on the other hand, is determined to make Duhalde pay for his opposition to Ortega's vice presidential candidacy. And whenever he can, he puts Cavallo in the anti-Duhalde camp.

Menem's exegetes have come up with a great political interpretation of their boss's tactics these days. They claim that Palito's candidacy is a preventive maneuver by Menem to avoid any erosion of his political power during his final term.

These sorcerer's apprentices add that if **Duhalde were already anointed** as the president's successor, political power would soon run toward La Plata to pave the way to the Casa Rosada.

The role Ortega would play in this scenario would be oriented more toward controlling Duhalde than toward running against him for the candidacy in 1999. But Palito took his assignment seriously, and he is certainly the only person who really **scares** the governor.

Besides, the delicate situation in the financial system, the recession that is on the doorstep, and the budget deficit make the end of the century look further and further away.

Bolivia

President Proposes Direct Talks With Chile's Frei

PY0703171395 Madrid EFE in Spanish 2157 GMT 6 Mar 95

[FBIS Translated Text] Santiago, 6 Mar (EFE)—In an interview published by the Chilean daily LA SEGUNDA, Bolivian President Gonzalo Sanchez de Lozada today proposed holding a direct dialogue with Chilean President Eduardo Frei without the intervention of their respective foreign ministries.

Upon referring to Chilean-Bolivian relations, he told LA SEGUNDA: "I have told Frei that it would be better if we hold a direct dialogue. A lot of time will elapse if we wait for our foreign ministries to reach an understanding, to solve the problems. This is why the problems prevail."

Moreover, Sanchez de Lozada stated that "there is great dynamism, a great opening, a true interest on both parts to make progress on all fronts, including the landlocked problem, which cannot be forgotten. The problem is there, but we want to make progress on as many issues as possible."

The Bolivian president does not deny the fact that he is interested in an outlet to the sea for Bolivia, but asserts that he will not be a prisoner of that subject before seeking understandings in other fields.

He said: "The administration I head has already decided that many paths lead to Rome, and that we must take them all."

He added: "We are still strongly tied to the past. I do not say we must forget the past, not at all. But we must have a more positive and active attitude. Problems are not solved with confrontations, but rather through dialogue."

He asserted that Chilean-Bolivian relations are improving gradually, and added that "fortunately, there are no problems. The problem is that projects are not materializing, but this is only a temporary problem. We are searching for greater and more specific solution such as access to ports, or starting to build highways."

In the Bolivian president's opinion "the problem is that we are not finding concrete solutions. Let us hope that in the next few months we may say 'we have achieved five or 10 concrete things' that will make talks with Chile more fluent, open, and effective."

He asserted that Bolivia does not want to leave the Andean market in order to join Mercosur [Common Market of the South] (Paraguay, Uruguay, Argentina, and Brazil), and that "Bolivia wants to be like Dona Flor and have two husbands. We do not want to leave the Andean market, but neither do we want to lose the opportunity of this great emerging market."

Sanchez added: "Our relationship (with Mercosur) would be one of a free trade agreement. We would not be partners in the sense that we would have the same common external tariff. Joining Mercosur entails more advantages than risks, and we will make the outmost effort to join it on 30 June."

Brazil

Malan Sees No 'Devaluation' in New Exchange System

PY0703142195 Sao Paulo AGENCIA ESTADO in Portuguese 2139 GMT 6 Mar 95

[Report by Carlos Franco and Sandra Sato]

[FBIS Translated Text] Brasilia, 6 Mar (AE)—In a news conference at Planalto Palace, Finance Minister Pedro Malan today stated that the new fluctuating band exchange system—which sets buying and selling fluctuating bands for the dollar—does not entail "a devaluation of the real in relation to the dollar." Effective today, however, the buying rate has been set at 0.86 reals [R] per dollar, and the selling rate at R0.90 per dollar. Effective 2 May the selling rate will be set at 0.98 per dollar. The Central Bank [BC], Malan said, will intervene to keep these bands in place; that is, it will buy or sell dollars whenever the dollar rates go beyond the established limits.

In Malan's opinion, the institutionalization of the fluctuating band exchange system—which was announced to the market yesterday by the BC—"came as a natural consequence of the exchange system that had been in force since 1 July 1994. It should come as no surprise to anyone, except to careless observers." He stated that a fine-tuning of this system, which is similar to the European system, is the most appropriate move for Brazil. He added that the market was already prepared for this change.

Malan admitted, however, that the international situation—namely the Mexican crisis and the Argentine difficulties—has influenced this decision. For Planning Minister Jose Serra, who also participated in the news conference, this is "a measure stemming from the maturity of the stabilization process." Serra has always advocated a higher rate for the U.S. dollar in relation to the real, and has gone so far as to suffer friction—through remarks to the press—with members of Malan's team, especially with Gustavo Franco, director of the BC International Affairs Department.

Malan emphasized—and the government guidelines in the economic area reflect his thinking—that "it is paramount to keep in mind that at no time has the government committed itself to implementing a fixed exchange policy, and the development of the exchange policy has been determined by conditions stemming from the supply and demand of currency, by domestic interest rates, and by the requirements of the policy of stabilizing prices, and therefore it has been free from any element of indexation."

Malan also noted that the establishment of a flexible exchange policy, in addition to other measures designed to promote exports, such as exemptions from Cofins [Social Investment Contribution] and PIS [Social Integration Program], will be instrumental in allowing Brazil to obtain trade surpluses again. In Malan's opinion, the trade deficits reported in the past three months will be overcome through the year. He made a point of once again noting the differences existing between Brazil and Mexico. He said the Mexican trade balance deficit accounted for 8 percent of the Mexican Gross Domestic Product (GDP), while the Brazilian deficit last year accounted for only 0.2 percent of its GDP. Even if this deficit increased, Malan said, there are ways of financing it through sustained growth and not through speculative capital, as was the case in Mexico.

Market Reacts 'Well' to New System

PY0703145195 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 7 Mar 95

[FBIS Translated Text] The market has reacted well to the change in the exchange system adopted yesterday by the government.

According to Walter Kuroda, financial director of the National Bank, the measure shows that the government is concerned about the dollar exchange behavior and that it is alert to market signals. He added that the measure also shows that the government is not overlooking the problems affecting both Mexico and Argentina.

Teophilo de Azeredo dos Santos, president of the Rio de Janeiro Federation of Bank Associations, said that the band exchange system will be positive for the market. He said the new system will bring Brazil a little closer to the world's reality.

Emilce Melo, technical manager of the National Association of Exchange Companies, said that the higher value of the dollar in relation to the real will make it easier to obtain foreign financing.

Deputy Delfim Netto said that the change in the exchange policy that will permit a devaluation of the real will immediately restore the Brazilian trade balance. He said the government was slow in taking this measure, but is now on the right track. Over the long term, Netto said, this measure will make Brazilian exports more profitable and imports more expensive.

The fluctuating band exchange system may reduce some of the losses sustained by exporters of Rio Grande do Sul State. Fifty exporting industries have shut down since last year in Rio Grande do Sul, forcing 42,000 workers of out their jobs. Businessmen have requested, however, that incentives for exports be created, as well as measures to compensate for the earlier losses they sustained as a result of the fixed exchange rate.

State Companies Seen as Losing

PY0703160195 Sao Paulo AGENCIA ESTADO in Portuguese 2359 GMT 6 Mar 95

[Report by Marcio de Morais]

[FBIS Translated Text] Brasilia, 6 Mar (AE)—It has been reported by official sources that state-owned companies will sustain losses as a result of the new exchange policy announced today by the government, which will guarantee a higher exchange rate for the dollar in order to benefit the Brazilian trade balance. For instance, the Brazilian Petroleum Corporation [Petrobras], which was studying the possibility of reducing the prices of its oil byproducts to benefit consumers with the exchange gains it has made in its oil imports since the implementation of the Real Plan, will now have to discontinue this study. Brazilian Telecommunications, Inc. [Telebras] has 800 million reals [R] in Eurobonuses and Yenbonuses that will lose value as a result of the new policy. The Brazilian Telecommunications Company [Embratel], which is in charge of international telecommunications, will have to pay more for satellite services.

Experts have been unanimous, however, in minimizing the impact of this measure. A Telebras specialist in international operations said: "It will virtually not affect Telebras." The reason is simple: The R0.98 per dollar exchange rate will not affect the company's finances until June and until then an accrued inflation of approximately 7 percent will compensate it for its losses. From this standpoint, the expert said, what will happen now is that the exchange benefits these companies were enjoying will come to an end, and they will now move toward a more balanced situation. In the power sector, the problem rests with the Itaipu hydroelectric plant rates, because Brazilian companies will now have to pay more for Itaipu's energy.

The previous exchange system had long benefited Embratel, which has many more incoming than outgoing calls. Thus, an expert said, Embratel pays more in dollars than it collects, and its expenses will rise now. The same happens with Petrobras, which has gained a lot with the approximately 15 percent overvaluation of the real in relation to the dollar in the past eight months. All the experts stated, however, that there is no need to compensate state-owned companies for the changes brought about by the new policy.

The source said: "They all have a financial cushion built on the previous situation. Thus, there is no reason to immediately increase their rates."

Treasury Suffers First Monthly Deficit

PY0703152595 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 7 Mar 95

[FBIS Translated Text] National Treasury Secretary Murilo Portugal Filho announced on 6 March that the Brazilian Government's accounts suffered a deficit of 1.775 billion reals [R] in February. This is the first Treasury deficit since the implementation of the Real Plan. Government expenses totaled R8.44 billion, with revenues totaling R6.664 billion.

Portugal said one reason for the increase in government spending was the higher amount absorbed by salaries of public servants which, in addition to an increase of 22.07 percent granted in January, included this month advance payments for many servants taking annual leave. This expense alone accounts for 46 percent of the total disbursed for salaries.

Portugal also blamed the deficit on the payment of hospital expenses covering the months of November and December 1994, which increased government expenses in services and investments.

SAE Charged With Collecting Economic, Political Information

PY0803113895 Rio de Janeiro O GLOBO in Portuguese 5 Mar 95 p 3

[FBIS Translated Text] Brasilia—Before the Mexican economy went bankrupt and began to threaten the stability of many other economies, including that of Brazil, the government had the idea of giving or assigning the Strategic Affairs Secretariat (SAE) the profile of an organization dedicated to analyzing the international situation. The Mexican bomb was good in terms of proving that the proposal is more than appropriate; it is urgent. The Mexican collapse, however, was not foreseen by SAE head Ronaldo Sardenberg, nor by the structure that supports SAE: the Brazilian embassies, consulates, and charge d'affaires offices working in more than 130 countries worldwide.

Sardenberg can take solace in the fact that the White House has also been surprised by the Mexican crisis, despite having a much more well trained and powerful and much wealthier structure.

Sardenberg's agents will be the ambassadors, DCM's, minister counselors, and secretaries who are accredited to the Brazilian missions abroad. In the United States, for example, the SAE can count on the services of the employees of the six consulates Brazil has in the main U.S. cities, in addition to embassy diplomats. These people, who are official representatives of Brazil before friendly countries and who have diplomatic passports, will not be transformed into spies overnight. From now on, however, they will have the obligation to collect economic and political information that may be, or seem to be, of interest to Brazil. Any information is important, no matter how insignificant it may seem.

The goal is to act swiftly. The data obtained will not wait for the diplomatic pouch in order to reach Sardenberg's hands. Diplomats already trained by the SAE have reported that the data will be transmitted via fax or over the phone the very moment the information becomes available. When the issue is serious or delicate, each bit of news will be treated like a finished product. In that event, the puzzle will be assembled in Brasilia. Government instructions oppose saving money on telephone bills.

Brazil is specially interested in information of an economic nature. The behavior of the markets, the actions of congresses as important as those of the United States and some European countries, and the tendencies of the different administrations are the raw material to be used by the diplomatic "arapongas" [spies]. The Brazilian embassies, which have been instructed by the government since its first days in office to adopt a commercial profile, will complement their functions with analysis of the political and economic trends of the countries in which Brazil is interested. Brazilian foreign policy, however, remains under the Itamaraty structure. It will be up to the SAE to formulate proposals for the country's domestic policy, according to international trends.

Mercosur-EU To Begin Free Trade Talks

95SM0195A Sao Paulo GAZETA MERCANTIL in Portuguese 8 Feb 95 p 5

[Article by Maria Helena Tachinardi: "Negotiation of Free Trade Agreement Between Mercosur and EU Begins in March"]

[FBIS Translated Text] The European Union (EU) and Mercosur [Common Market of the South] will begin negotiating the basis for a free trade agreement next month. Foreign ministers from both regions will meet in Paris on 16 March for a political discussion that will precede contacts at the technical level. The actual negotiations regarding the content of the agreement are scheduled for the end of March, when a delegation from the European Commission will contact Mercosur.

Later, the Commission will present the results of those consultations to the Council of Ministers, which will authorize negotiations under a "quite rigid" mandate, meaning that there will be no possibility of altering what has been decided between the two parties, explains Carlos Blasco Villa, Spanish ambassador to Brazil. Spain will preside over the European Commission during the second half of the year, which is when the framework agreement on interregional cooperation between the EU and Mercosur is to be signed.

The EU has a study showing that if it does not negotiate a free trade zone with Mercosur, the Europeans will retain their current share of the market in the four member countries (around 23 or 24 percent). That share may fall by the year 2000 if nothing is done. On the other hand, it is estimated that a free trade zone will increase the share to 30 percent, "taking into account the dynamism of Mercosur," comments Gerard Sambrana, the charge d'affaires at the French Embassy. Since January, France has presided over the European Commission and organized meetings with the Rio Group and Mercosur. The agreement with Mercosur will be similar to those signed with the EFTA (European Free Trade Association) countries, among them Switzerland and Iceland. The other EFTA members, such as Sweden and Finland, have ended up becoming full members of the European Union, as has Austria. With the incorporation of those three, the European Union now has 15 members.

The EU-Mercosur agreement will practically cancel the effect of the Generalized System of Preferences (GSP) on exports by Brazil, Argentina, Uruguay, and Paraguay to the European market because the free trade agreement, being more extensive, will have more advantages for the four members, European sources feel.

The GSP is a unilateral advantage granted by the EU to industrial products and allows a lower import tariff on the European market to be paid. As a result of the changes in the system that have been in effect since January, there have been many complaints by Mercosur. The four countries have been losing their advantages because they are at a more advanced economic stage than other developing countries.

The European Union's delegation to Brasilia will be headed by Bruno Detomas, former spokesman for Jacques Delors, who presided over the European Commission for seven years. He has also been economic editor for the French daily newspaper LE MONDE.

Espirito Santo Receives Loan

Brasilia—The European Investment Bank (EIB) is already financing Brazilian projects. The line of credit totaling 750 million ECU's (European Currency Unit)—the equivalent of $900 million—which the EIB has made available to Latin American and Asian countries will benefit a $44 million project for cleaning up coastal ecosystems in Espirito Santo, according to European sources.

The EIB's financing for Brazilian public- and private-sector projects aimed at protecting the environment and promoting regional integration and the modernization of production technology was made available in mid-December of last year. Leaders from the European bank and Jorio Dauster, Brazilian ambassador to the European Union (EU), met at the institution's head office in Luxembourg and signed an agreement guaranteeing Brazil a share of the line of credit, which will have a duration of three years, expiring in mid-1996 [as published].

According to Pierre Philippe, EU representative in Brasilia, infrastructure projects such as the highway linking Sao Paulo and Buenos Aires, already known as the Mercosur Highway, will also have priority access to the EIB line of credit.

The EIB was founded in 1958 and now finances 130 countries. In recent years it has devoted itself more to the reconstruction of East Europe, but beginning last year it increased its presence in Latin America. It is financing expansion of the telephone system in Chile and the transportation of natural gas in Argentina.

The Espirito Santo project in the environmental area is the one at the most advanced stage of negotiation. The EIB grants financing for terms of from seven to 20 years and charges interest based on the borrowing rates in the market. In addition, it requires counterpart deals from borrowers and cofinancing by international financing organizations. The EIB offers credit only to countries that have a cooperation agreement with the European Union.

Dec Unemployment Rate Lowest in 5 Years

95SM0195B Sao Paulo GAZETA MERCANTIL in Portuguese 8 Feb 95 p 8

[Article by Vera Saavedra Durao: "December Unemployment Rate Lowest in Past Five Years"]

[FBIS Translated Text] Rio de Janeiro—The number of unemployed fell by 15 percent from November to December of last year, with the last month of the year seeing an open unemployment rate of 3.42 percent as measured by the IBGE [Brazilian Institute of Geography and Statistics]—the lowest figure in the last five years. The reason was the warming of the economy, especially in the service sector.

That result led to a drop in the average unemployment rate for 1994, which totaled 5.06 percent, or less than the 5.31 percent recorded in 1993, in the six metropolitan areas surveyed by the IBGE: Recife, Salvador, Belo Horizonte, Rio de Janeiro, Sao Paulo, and Porto Alegre. The drop in unemployment occurred in all sectors of economic activity last year. During that period, the rate among men was 4.81 percent, or less than the 5.44 percent recorded for women.

Informal Market

In the processing industry, the unemployment rate was 6.15 percent in 1994, compared to 6.51 percent the year before. In the construction industry it was 6.07 percent compared to 6.60 percent, while in trade it was 5.39 percent compared to 5.63 percent. In the service sector it was 3.3 percent compared to 3.91 percent. The number of employed individuals rose by 11 percent in the construction industry, 4 percent in trade, 3 percent in services, and only 0.4 percent in industry.

The picture was favorable to the growth of employment in nonindustrial activities, as can be seen by the fact that the average number of self-employed individuals was up by 8 percent, while that of employees without a signed work card was up by 7 percent. At the same time, the number of employees with a work card dropped by 0.6 percent, signaling an increase in the informal nature of the labor force in 1994.

Average Income

The real average income of employed individuals rose by 6 percent on average between October and November, according to the IBGE. The incomes of employees without a signed work card rose by 6 percent in real terms, or more than the incomes of employees with a work card and self-employed individuals, whose real increase was 5 percent.

By sector of economic activity, construction workers received the highest average pay increases between October and November (10 percent), followed by workers in the service sector (7 percent), trade (4 percent), and the processing industry (3 percent).

Government To Privatize 14 Firms by Jun

95SM0195C Sao Paulo GAZETA MERCANTIL in Portuguese 8 Feb 95 p 3

[Article by Cesar Felicio: "Government Will Auction Escelsa Shares and Privatize 14 More Firms by June"]

[FBIS Translated Text] Brasilia—The Federal Government announced yesterday its all-out resumption of the privatization program, which had been marking time since October 1994, when then President Itamar Franco suspended the timetable for privatizations in the petrochemical area. At a news conference in Planalto Palace, Clovis de Carvalho, chief of the Civilian Household, said that the government would auction off the Federal Government's interest in Espirito Santo Power Plants, Inc., (Escelsa), on 10 May and that 14 firms in the petrochemical area would be sold by the end of June.

The minister also said that the government had already begun negotiating with Sao Paulo Governor Mario Covas to obtain payment of the amount owed by Eletropaulo [Sao Paulo Power, Inc.] to Light [Power Services, Inc.] so that Light could be included in the privatization agenda.

Yesterday Clovis de Carvalho coordinated the first meeting by the National Privatization Council, which consists of Minister of Finance Pedro Malan, Minister of Planning Jose Serra, and Minister of Administration Luis Carlos Bresser Pereira. The council instructed the BNDES [National Bank for Economic and Social Development] to update, within 60 days, its appraisals of 10 petrochemical firms that had already been completed when President Itamar Franco suspended the program. They are: Salgema, the Camacari Petrochemical Company, the Reconcavo Petrochemical Company, Copene [Northeastern Petrochemical Company], Northeast Styrene, Nitrocarbon, Polybrazil, Polypropylene, Polyderivates, and Petroleum Coke.

According to the minister, the appraisal of those firms was based on the situation in December 1993, a time when the petrochemical industry was experiencing a worldwide recession. "The industry panorama has changed, and I believe it will be found that the value of those firms has increased," said Carvalho.

The minister added that the council had also decided to instruct the BNDES to complete its appraisal of four other firms within 80 days: Pronor, Metanor, Deten Chemicals, and the Brazilian Polyurethane Company.

Concerning the privatization of Escelsa, the minister said that the government was still going to determine whether that firm's concession contract violates the new law on concessions as recently approved by Congress. The case of Light is more difficult: The minister confirmed that there was considerable disagreement between the Federal Government and the state government regarding Eletropaulo's debt. "Most of that debate is before the courts, and significant amounts are involved, because they range from 500 million reals—the figure accepted in principle by Eletropaulo—and $1 billion and a little more, that being the figure that the Federal Government came up with," the minister said.

Clovis de Carvalho also said that the government was considering making it a priority to use the proceeds of the privatizations to amortize the Union's debt. "As we find ourselves collecting more funds as a result of privatization and being able to pay off a larger volume of debt, we will be economizing on our debt service or interest obligations, and that will generate funds for—preferably—investment, but possibly for some other use," the minister explained.

Carvalho also took the opportunity to make a subtle jab at the privatization model established by Itamar Franco when he underscored the chief qualities of the recently established National Privatization Council: "Now the government has made it clear that it has full responsibility for the process and wants to vitalize it, and for that reason it has placed people who can make decisions precisely at the decisionmaking level, thus eliminating an intermediate process of discussion," he said.

Privatization Attracting British Investors

95SM0195D Sao Paulo GAZETA MERCANTIL in Portuguese 7 Feb 95 p 8

[Article by Fatima Belchior: "Privatization and Partnership With State-Owned Firms Attract Interest of Foreign Capital"]

[FBIS Translated Text] Rio de Janeiro—Brazil's investment policy and the privatization program were the main topics of conversation yesterday between Lord James Prior, the president of the General Electric Company (GEC), and Jose Mauro Carneiro da Cunha, the vice president of the National Bank for Economic and Social Development (BNDES). The GEC, a British firm that is a member of the Alcatel-Alsthom group, is interested in discovering business opportunities in Brazil, Prior announced.

With 145,000 employees scattered around the world, the GEC, whose head office is in London, has business interests in energy, transportation, communications, aviation, and other fields. In a brief interview as he was leaving the BNDES, Prior announced that the reorganization of the Brazilian economy, in which he included the opening-up to privatization, was what led him to make this first visit to Brazil. Because of the business interests it already has, the company is interested in the areas of infrastructure.

Yesterday morning, for example, Prior visited Light [Power Services, Inc.], which is going to be privatized during the last half of the year; Petrobras, a state-owned firm that is seeking partnerships for several of its fields of interests; and Eletrobras [Brazilian Electric Power Company, Inc.]. He said he had not gone to Light exclusively because of its future planned privatization, although that is a subject that interests him, especially because the GEC is an equipment supplier. He felt it was too early to talk about participating in Light's privatization process, but admitted that doing so was not an impossibility.

At Petrobras, Prior also discussed his group's interest in projects linked to development in the area of electric power, according to what this newspaper was told by the Petrobras president, Joel Mendes Renno. In his conversation with the British party at Petrobras headquarters, Renno presented the Real Plan, the Brazil-Bolivia Gas Pipeline Project, and the Urucu Project. The two last-named projects are both concerned with the exploitation of natural gas for power production.

Renno told Prior that bidding would begin during the first half of this year for construction of the gas pipeline, and that the work would begin by September. "He was very impressed," according to Renno, who was told by the GEC's president that he would have his technical staff stay in touch with the Petrobras planning department in charge of the Urucu Project in Alto Amazonas. The GEC may participate as an investor or as an equipment supplier.

During his visit with Eletrobras management, Prior showed an interest in learning about Brazil's future as regards the generation and transmission of electricity. He also wanted to know about the prospects that private enterprise would be able to participate in the Brazilian electric power industry and about binational projects within the scope of Mercosur [Common Market of the South], according to Mario Santos, president of Eletrobras. The president of the holding company running Brazil's electric power industry summed things up by saying: "It was an evaluation of a strategic nature."

Prior had lunch with Governor Marcello Alencar and visited the Navy Directorate of Arms and Communications and the Monteiro Aranha Group. Today he will be in Brasilia, where he will meet with the ministers of aeronautics, mines and energy, industry and commerce, and Navy. On Friday he will be in Sao Paulo to visit the GEC's subsidiary, Alsthom Heavy Engineering, and Embraer [Brazilian Aeronautics Company]. He will also meet with Mario Covas, governor of Sao Paulo State.

Relations Between New Congress, President Examined

95SM0195E Sao Paulo VEJA in Portuguese 1 Feb 95 pp 26-28

[Unattributed article: "Waiting for FHC"—first paragraph is VEJA introduction]

[FBIS Translated Text] *With its tradition of liking a new president, Congress is awaiting the reforms.*

The 513 deputies and 81 senators in the new Congress that will take office this Wednesday got an idea last week of the agenda awaiting them in Brasilia. On Thursday, seven of Fernando Henrique's ministers met with the PMDB [Brazilian Democratic Movement Party] to explain the changes that the administration hopes to make in the Constitution. The same scene was repeated on Friday with the PSDB [Brazilian Social Democracy Party]. The presentation remains to be made to the PFL [Liberal Front Party], the PP [Progressive Party], and the PTB [Brazilian Labor Party]. The reforms have been known for a long time. Social Security, which pays miserable benefits and lives in a state of bankruptcy, needs to be changed now, and tax reform is another necessity. As regards the economic order, the administration wants to loosen the monopoly enjoyed by Petrobras and telecommunications and allow state-owned firms to file for bankruptcy or for protection from creditors. It also wants to end job tenure for government employees. "The big task for this political generation is to put Brazil back on the track to economic development by eliminating social imbalances and injustices," says Minister of Planning Jose Serra, one of the speakers.

The PMDB spoke so well of the presentation that its words sounded sycophantic. "The administration shows transparency when it clearly presents its proposals and shows openness to dialogue," says Deputy Alberto Goldman (PMDB, Sao Paulo). It is clear that the new Congress is not going to receive the administration's proposals and rubber-stamp them like a government official in his department. It will certainly debate them, dissect them, amend them, and only then think about approving them. Contrary to what one might think, Congress has been proving its competence to correct foolishness on the part of the executive branch. If it had been up to the experts in Itamar Franco's administration, for example, the banks would be paying a lower PIS [Social Integration Program] contribution than other firms. It was Congress that leveled the playing field. When it was debating the Collor administration's proposed single health system, Congress was also responsible for setting up municipal councils to monitor the use of those funds, a fact that helps prevent the diversion of funds.

According to a study by the Interunion Congressional Advisory Department (DIAP), Fernando Henrique will have to do a lot of negotiating to get his reforms passed, but he will not be able to complain about the Congress that is now taking office. "There has been an ideological change in Congress," says Antonio de Queiroz, DIAP's director. "Despite an increase in the left-wing blocs, the PSDB has grown more liberal in its alliance with the PFL. In association with the other liberals, it may make the reforms possible," he says. The pro-FHC [Fernando Henrique Cardoso] wind is not identifiable by the size of the party blocs. With 129 congressmen, the PMDB is still the largest party, a position it has held since 1982, and the PFL still holds the deputy leadership with its 108 members. The PPR [Progressive Renewal Party] and the PSDB have merely exchanged places. The PPR is relinquishing third place to the PSDB and taking fourth place, which the PSDB left vacant. With a bloc of 49 deputies and five senators, the PT [Workers Party] is up from seventh to fifth place. The problem here is that the PSDB has become similar to the PFL and the PMDB has come to be like the PSDB. Even the PT is no longer as much the PT as it was before and during the recent presidential campaign. Brizola's loss also broke the cement holding the PDT [Democratic Labor Party] together. Those two parties were the main obstacles to constitutional revision last year. Now they are open to debate, and Deputy Jose Fortunado (PT, Rio Grande do Sul) even enjoyed talking to Vice President Marco Maciel. Another factor is that Congress always likes to court a new president like Fernando Henrique. It even approved Collor's confiscation in 1990. It did not cause problems for Jose Sarney until 1987, when the cruzado was falling apart. Congress does not have a history of rebellion. Quite the contrary. Whether good or bad, 80 percent of the laws now in effect in our country were introduced by the executive branch.

Pure fiction: Of the 594 congressmen taking office on Wednesday, 307 were reelected. That should make 287 new congressmen, but that kind of mathematics is pure fiction. Half of the so-called new members are experienced people, some of them even too experienced, among them 59 former members of Congress, such as Deputy Paes de Andrade (PMDB, Ceara), the one from Mombaca, and the former governor of Minas Gerais, Newton Cardoso. Also called new is a bloc of 22 former governors, among them Senators Antonio Carlos Magalhaes (PFL, Bahia) and Iris Resende (PMDB, Goias). When it comes to "new" in the sense of zero miles on the odometer, there are 152 deputies, among them Celso Russomanno (PSDB, Sao Paulo), and only one senator: Lauro Campos (PT, Federal District). The genuinely new members account for only 25 percent of Congress.

"Since the voters are the same, history shows that Congress never changes much," says Deputy Roberto Magalhaes (PFL, Pernambuco). The swearing-in of the new Congress is surrounded by expectations like those of 1987, when the members of the Constituent Assembly took office. A good way to X-ray the situation is to look at the blocs being formed to protect a particular group of businessmen, a professional category, or a corporatist body. Those are forces representing interests that are frequently more solid—sometimes even in the material sense—than simple party platforms. They are ruralists, hospital owners, school owners, representatives of construction firms, union leaders, mill owners, and such, some of them more representative and some of them less so. That is how it is everywhere in the world. There are 23 major interest blocs. Of that number, 13 support the administration's proposed reforms in general outline. They add up to 342 votes. Theoretically, Fernando Henrique would only have to round up another 15 votes to guarantee the three-fifths majority needed to change the Constitution. Considering the majority he has to start with, that task is easier to achieve than finding a deputy who wears a necktie.

Alliances

The largest of those blocs is the ruralist bloc with 99 members. The ruralist is a man who supports tax reform but warns from the start that as far as he is concerned, agriculture needs to pay fewer taxes and earn more money. He is so organized that he holds meetings to debate common proposals. The banking bloc is super-reformist and worships privatization but does not want to see its own profits, totaling millions, touched. "The financial system is tired of being selected to foot the bill for the government's problems with tax collections," says Deputy Manoel Castro (PFL, Bahia), a friend of Febraban [Brazilian Federation of Banks].

The special interest blocs sometimes cause surprises. The bloc defending government employees has only six representatives. But if the government makes any proposals harmful to those employees, an alliance is formed with the support of the bloc representing the state-owned firms (17 members), the unions (35), and those defending the communications monopolies (46). As though by magic, those six representatives become 104 and gain unbelievable political power. "Alliances like that are more common than agreements among parties," says Senator Alcio Alvares (PFL, Espirito Santo). Those are the people that Fernando Henrique will have to get along with starting now.

Krause To Consider Environment in All Decisions

95SM0193B Sao Paulo O ESTADO DE SAO PAULO in Portuguese 5 Feb 95 p A-31

[Interview with Environment, Water Resources, and the Amazon Region Minister Gustavo Krause, by Riomar Trindade and Vannildo Mendes; place and date not given]

[FBIS Translated Text] Brasilia—*The federal government will conduct a comprehensive review of the plan to reroute the San Francisco River, a project started by former President Itamar Franco. This assurance was given by Minister Gustavo Krause of Environment, Water Resources, and the Amazon Region. The idea is to correct the distortions in the plan and negotiate a political consensus before implementing it. The minister said, in an interview with Riomar Trindade and Vannildo Mendes, that from now on, any government decision will have to take the environmental and national interest components into account, over and above regional ambitions. All the administration's tools of economic policy, including the BNDES, [National Bank for Economic and Social Development], will be instructed to promote the use of clean technologies in their projects.*

[O ESTADO] How much emphasis will the administration place on environmental policy?

[Krause] The main interest is on social needs. In these days of predatory progress, the rich devour Nature out of greed and social irresponsibility, and the poor do so out of necessity. Reducing poverty is a fundamental commitment when we focus on the environment today. The social needs issue is inextricably bound up with the environment.

[O ESTADO] Have the priorities of your ministry already been defined? And how do they relate, for example, to water resources policy?

[Krause] Within the matrix of government administration that President Fernando Henrique is putting together, the ministry's main role is to see that the environmental component is present in all the decisions. For example, if you are going to build a hydroelectric plant, a road, a reservoir, a waterway, or a school, environmental and social impacts will be considered. The ministry will be consulted, but this does not mean it will become the ministry of interdictions. It must be the ministry of possibilities.

[O ESTADO] You have used the term "Aquarian reform." Explain what you mean, please.

[Krause] I think it is a very apt term, but it did not come from me. I am not one to plagiarize, but when I heard it for the first time (from singer Alceu Valenca), I immediately appropriated it. People have always talked about agrarian reform, administrative reform, but now we are in the era of Aquarian reform, which means all those things I have just been talking about. When the president establishes a ministry with those characteristics, he gives the minister the job of undertaking an Aquarian reform: the best use, the most democratic use, the healthiest use.

[O ESTADO] But how can we democratize water use, when there are so many powerful interests?

[Krause] First we have to define the institutional frameworks. Those are in the Constitution, and its chapter on water resources is progressive. We must plan our use of water resources, work out simulations with regard to the future, and set up a whole system for granting concessions and authorizations. We also need to establish a register of property rights, usage rights, etc. The federal government's role will be as formulating agent, and the ministry must be allocated enough institutional energy so it can arbitrate and resolve conflicts, and coordinate things.

[O ESTADO] And on the external plane?

[Krause] The ministry will have an enormous contribution to make to the discourse and vanguard practices of the president of the Republic. Brazil stands apart in the international context because of the extent of its natural resources. They are the basis for exemplary actions in that field. So the ministry will have an auxiliary line to the government's foreign policy, to diplomacy as conducted by Itamaraty.

[O ESTADO] Besides the change in the internal ecological attitude, will Brazil assume commitments and agree to international demands without restriction?

[Krause] The competitive insertion of this country into regional and global markets also requires environmental compatibility criteria. But when it comes to trade relations, the environmental issue must not be a disguise to conceal the interests of the powerful to the detriment of developing countries like Brazil. The environmentalist discourse must be an ethical commitment to future generations, made by the whole world.

[O ESTADO] In a country where so much devastation has occurred and where there have been so many assaults against nature, how can yours not be the "nay-saying ministry"?

[Krause] Of course we do have to take some corrective measures. We have four tools to use in bringing about the transition from the predatory growth model to one of balanced progress. The first is political awareness achieved through persuasion, environmental education programs, incentives to democratic participation, and expansion of the public space. We also need to build a combative institutional and legal apparatus. We will find the third tool through close international cooperation toward adoption of clean technologies. Financing is the last tool.

[O ESTADO] From the legal standpoint, can we conclude, for example, that the BNDES will make its support of projects conditional on a commitment to protect the environment?

[Krause] The instruments of economic policy must increasingly incorporate mechanisms that lead to use of clean technologies and that are more and more constraining against those who do not adopt them. Whether in economic, credit, or fiscal policy, the action of the State must be oriented toward the principle that those who pollute, pay. But that is just a stage. The most important thing is to prevent people from polluting in the first place.

[O ESTADO] Will the administration pursue a plan to reroute the San Francisco River?

[Krause] In the first place, the San Francisco River and its basin must be viewed as an integrated whole. The San Francisco is very special because it runs through land that is practically a desert, and the restoration of its basin needs to be treated very carefully. In the second place, no one owns the river, although some people think they do. The rerouting project has a pretentious name, but in reality it means creating a reservoir whose first priority is water supply, with irrigation being secondary. The underlying priority is that the shifting of the river's course is a means of coping with semi-aridity. That decision does not rest with a single ministry. It is a matter for the government, which will look at the issue from the standpoint of its social policy, and will look at the basin as a whole.

[O ESTADO] So the decision has not been made, and the administration will review the entire construction timetable as set by the previous administration?

[Krause] It is a political and social engineering project. It is complicated, but that's the way things are in a democracy. Besides, the plans have not actually been completed. The Fernando Henrique government will make a conceptual change in the rites of the decision-making process. The tradition in Brazil is to decide quickly, but almost never implement the decision.

[O ESTADO] Was that what happened with the procedure adopted by former Minister Aluizio Alves?

[Krause] I'd rather not personalize matters. I would rather speak in conceptual terms. There are four elements that decisions in a democratic environment must take into account: the technical (is it feasible?); the financial (is funding available?); the political (is it wanted?); and a strategic aspect, which is the broadening of the base of consensus so that the decision can be effective. That recipe entails political negotiations with the States and even with the media, or else the information travels through improper channels, as happened. People said, for example, that the project costs $2 billion when it really costs only $600 million. You also have to look at the cost of the alternative, not pursuing it. The purpose of the rerouting is so people have water to drink, so they don't emigrate to Sao Paulo. No one has said the project won't happen. It will be done, but first it will be examined very thoroughly.

Army Buys Israeli Electronic Warfare Equipment

95SM0193C Brasilia CORREIO BRAZILIENSE in Portuguese 25 Jan 95 p 14

[Article by military analyst Roberto Lopes: "Brazil Enters the Era of Electronic Warfare"]

[FBIS Translated Text] Eavesdropping on and interfering with the enemy's communications. That capacity, demonstrated by British troops in the confrontation with the Argentines during the Falklands War, is now being acquired by the Brazilian Army.

Last Friday morning in Brasilia, the chief of the War Materiel Department (DMB) of the Ground Forces, General Dirceu Ribas Correa, signed a contract to purchase the Sitage, a modern electronic warfare system manufactured by Tadiran, of Israel.

The system is enough to equip one company and will enable the Army to carry out tactical electronic warfare operations, i.e., missions with a relatively restricted radius of action. It is similar to the one received by the Venezuelan Army in 1992 and installed at a point on the Venezuelan border with Colombia.

The equipment imported by Brazil will be delivered within two years. The Army has not yet decided where the company will be based (the Israeli materiel will be delivered in Brasilia), but has already decided that at least part of it will be used in Amazon Region operations.

The Sitage system picks up radio and radar transmissions and enables its operator to store them for later study, or to generate interference that will interrupt those communications.

During this work, the equipment may possibly detect transmissions between guerrilla groups that operate near the northern border of Brazil, especially in Colombia.

Installation

The Israeli equipment will be installed in the body of specially-designed military trucks that are being ordered from Brazilian manufacturers. The Army has just bought 423 truck chassis from Mercedes-Benz. The chassis alone cost about R$27 million, much more than the Sitage system, purchased for $23 million.

The Sitage was purchased at the personal insistence of Minister of the Army Zenildo de Lucena and DMB Chief General Dirceu.

With it, the Army takes another step towards modernity and equivalence with the most modern units of the Argentine and Venezuelan Armed Forces, which already use electronic warfare equipment.

Argentine Spies On Neighbors

More than ten years ago, Argentine naval aircraft were tracking the military communications of its neighbors, Chile, Uruguay, and Brazil. The decision to do so was made after the Argentines had personally experienced the effectiveness of the electronic warfare waged against them by British ships, aircraft, and troops during the Falklands crisis.

The Argentine Navy purchased three four-engine Electra planes and equipped them with sophisticated electronic materiel of various origins, including Israeli.

In 1971, during the Yom Kippur war, Israeli fighter pilots were fully familiar with Syrian Air Force communications. This was because, for years, the Israeli military had been patiently listening to and classifying the transmissions between Syrian air bases and their fighter pilots.

Defense

In June 1982, the Brazilian Armed Forces were impressed by the way in which the Argentine defense formations installed in the Falklands Islands were rapidly and resoundingly demolished. The defeat was due partly to the obsolescence of the communications equipment used by the units assigned to repel the British. In one secret contact, the Argentine Navy even asked the Brazilian Navy to use its radio to track the communications of the fleet that was sent from England to recover the Falklands.

The Brazilian government acceded to the request but was unable to do the job: British ships were communicating via satellite and the Brazilian Navy was not prepared for that innovation.

Chile

Finance Minister Denies Repercussions From Argentine Crisis

PY0703153895 Madrid EFE in Spanish 1351 GMT 4 Mar 95

[FBIS Translated Text] Santiago, 4 Mar (EFE)—Chilean Finance Minister Eduardo Aninat today rejected possible repercussions from the Argentine economic situation on the local economy.

Aninat said that despite some declines in the stock exchange, the Chilean Government is not worried about the macroeconomic situation of the country.

He pointed out that last year there was a historic high level of savings, reaching 4.9 percent of the gross domestic product, while the accumulated international reserves by 15 February had reached $13.58 billion.

In answer to a question about the possible effects of the Argentine economic adjustment, Aninat said: "We have reserves, savings, a dynamic country, and clean sectors. I do not believe it will affect us very much."

Aninat also does not believe a devaluation in Argentina is imminent.

The local stock exchange, however, was affected this week by the worsening of the Argentine situation, with losses registered in all sectors of the stock exchange.

Within this context the Selective Share Price Index (IPSA), which represents the 40 most negotiated titles on the market, accumulated this week a loss of 6.6 percent.

Despite the grim show for the week, by late Friday the index had begun to show a recovery, which according to analysts was caused by an improvement in the figures coming from Argentina, which is expecting the support of multilateral financial organizations.

Brazil's Cardoso Pays Official Visit

Meets Frei, Addresses Congress

PY0303041595 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 2 Mar 95

[FBIS Translated Excerpt] Brazilian President Fernando Henrique Cardoso had a busy agenda on day one of his visit to Chile.

This morning he laid a wreath before the Bernardo O'Higgins monument. Then, he had a nearly two-hour working meeting with Chilean President Eduardo Frei. Chile has $5 billion to invest, and President Cardoso would like to see at least part of this money invested in Brazil.

Cardoso then left for Valparaiso, 130 km from Santiago, where he was welcomed with a standing ovation by the members of the Chilean Congress. In his speech to the Chilean Congress, Cardoso said that with the Real Plan, Brazil has made a major leap toward the future. He said that price stability has yielded salary gains estimated at nearly $15 billion.

After leaving Valparaiso, Cardoso went to Vina del Mar, where he had lunch with Chilean lawmakers and businessmen. Late this afternoon he returned to Santiago and visited the Chilean Supreme Court. [passage omitted]

Speaking to reporters, Cardoso discussed the idea of creating a system to protect those countries experiencing exchange crises like the one suffered by Mexico.

[Begin Cardoso recording] I cannot go into details because it is just an idea. This is in fact a problem involving the international system; it is not a specific issue affecting only Latin America, let alone Chile or Brazil.

Significant changes have obviously taken place since the end of World War II in the financing system and in the way capital circulates around the world, as well as in the rules issued by central banks. The first person who discussed the issue with me was the Canadian prime minister, who recently visited Brazil. He noted that a country like Canada lost $2 billion in one day as a result of a rumor that circulated on Wall Street. It is naturally necessary to set up a support system. Yet, it is not incumbent upon me to specify it or to implement it. I am just expressing an idea.... [end recording]

Cardoso also emphasized the similarities existing between Chilean and Brazilian economic policies:

[Begin Cardoso recording] Each country has its own characteristics. Yet, the one country that has taken a course that is closest to ours—and vice versa—is Chile. I believe Chile has sought to balance both the external accounts and economic growth, to increase jobs and to realize a better distribution of income, which is what we need. [end recording]

Commenting on the possibility of Chile joining Mercosur [Common Market of the South], Cardoso said that progress has been made in these negotiations. He said there are no hurdles for Chile with regard to joining Mercosur.

[Begin Cardoso recording] There is no political hurdle. The issue is not that. The problem is that it is more difficult to reconcile the Mercosur Common External Tariff with the Chilean tariff, because the Chilean average tariff is very low. Yet, this should not be an obstacle because Brazil and Argentina have huge tariff differences, yet we are managing to reconcile them. We will naturally have to respect the Chilean interests and characteristics, but there are other mechanisms that are independent from the common external tariff and that will allow, for instance, projects linked to the basic communications structure, highways, energy, and even investments that will bring us closer together.... [end recording]

In his speech before the Chilean Congress, Cardoso also emphasized the need to create mechanisms to protect countries from financial crises. Cardoso said that the progress made in the information system has made financial markets sensitive and vulnerable, and noted that the chances of investment have also broadened. [passage omitted]

Mercosur Prospects Progress

PY0303115395 Sao Paulo AGENCIA ESTADO in Portuguese 2301 GMT 2 Mar 95

[FBIS Translated Text] Santiago, 2 Mar (AE)—The negotiations with the Common Market of the South (Mercosur) to establish free trade relations with Chile today made great progress during a meeting between Brazilian President Fernando Henrique Cardoso and his Chilean counterpart Eduardo Frei Ruiz-Tagle. Cardoso said that the Mercosur has agreed to reduce the term for the effective implementation of the zero tariff in the trade relations between the Mercosur and Chile. The new term will be negotiated, but it will be defined by 30 June.

Thus far, the member countries of the Mercosur defended a 10-year term for the implementation of the zero tariff in their trade relations with Chile. The Chilean Government defends a four-year term for the implementation of the zero tariff for already negotiated products, six years for new products, and 10 years for the so-called "sensitive" products—those for which the countries seek a longer period of protection.

"We will bring forward the dates to meet the goal of establishing more effective relations between the Mercosur and Chile," said President Cardoso after the meeting with President Frei. According to him, the new decision to engage in these negotiations will be announced in a joint communique to be issued tomorrow. Renato Marques, chief of the Mercosur and Integration Department of the Brazilian Foreign Ministry, reported that a draft document on the agreement is practically ready. Once the agreement is signed, he said, it will define a timetable for the reduction of trade tariffs.

President Cardoso hopes that trade with Chile will increase in the field of services, with investments in the field of basic communications structures, electricity, and road construction. "There are other mechanisms that do not depend on the common external tariff," he said.

Obstacle—The main obstacle in allowing Chile to join the Mercosur is the difference between the import tariffs. While Brazil, Argentina, Uruguay, and Paraguay maintain tariffs that vary between zero and 20 percent, the tariffs of Chile vary between zero and 11 percent. In order to join the Mercosur soon, the Chilean Government would have to increase its import tariffs. This could have serious economic repercussions.

Although President Cardoso reasserted, during his meeting with President Frei and his speech to the Chilean Congress, Brazil's willingness to allow Chile join the Mercosur, the Chilean Government has adopted a cautious position. Chilean Congress president Gabriel Valdes—a long-time friend of President Cardoso—told him that Chile wants to participate in the Mercosur but it will "not give up other opportunities" which give Chile "market security." Valdes said that Chile wants to participate in the NAFTA because it understands that "sooner or later" it will be open to all the countries of the hemisphere.

During his meeting with Frei, Cardoso organized a meeting between the economy ministers of the two countries to discuss their respective economic models. A visit by Brazilian Industry and Commerce Minister Dorothea Werneck is also being organized to explain details of the Brazilian trade opening policy. Cardoso is optimistic regarding possible investments in the field of energy and in the connection between the ports of Santos and Arica. The Chileans have $3.5 billion invested in the rest of the world.

Frei Holds News Conference

PY0303185595 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1700 GMT 3 Mar 95

[Live report from La Moneda Palace by correspondent Fidel Oyarzun]

[FBIS Translated Text] Good afternoon. President Eduardo Frei today held another meeting at Government Palace with Brazilian President Fernando Henrique Cardoso, where they signed a joint declaration.

The two presidents reaffirmed the need to strengthen bilateral relations and also relations with other countries of the region. They held a news conference during which they ratified these ideas.

Concerning remarks by Peruvian President Alberto Fujimori, who said Peru has best Army in Latin America because for some 20 years it was thought a war could be waged with Chile. President Frei said the Chilean ambassador to Lima—at the request of President Fujimori—explained the historical context of these remarks to President Frei.

[Begin Frei recording] I want to stress the pacifist spirit of our government and of the country. We are working toward the peaceful solution of conflicts, either border conflicts with Chile or regional conflicts, which are of interest to us.

Chile has highly professional Armed Forces which respect the legally constituted civilian power. The great issue today is looking toward the future. Latin America must work toward peace and toward consolidating democracy. [end recording]

National Renewal and Christian Democratic Party deputies this morning submitted to the government a new draft bill against drugs which, among other points, proposes the prohibition of the private and individual use of drugs.

President Frei is currently heading a ministerial cabinet meeting, the first since the vacation, to establish the legislative, economic, political, and social priorities for 1995.

Cardoso Urges Investment in Brazil

PY0403020395 Sao Paulo AGENCIA ESTADO in Portuguese 2024 GMT 3 Mar 95

[FBIS Translated Excerpt] Santiago, 3 Mar (AE)—Brazilian President Fernando Henrique Cardoso today told Chilean businessmen that the Brazilian economy may grow by 7 or 8 percent in 1995, following the 5 percent and 5.7 percent growth obtained in 1993 and 1994, respectively. He said: "We are going to reach historic levels." He did not give assurances, however, that the above growth rate will be achieved, because "throughout the year" the government may find it necessary to adopt some measures to fight inflation. He added: "We must reconcile growth with stability."

During lunch with leading Chilean industrial manufacturers at the Industrial Development Association, Cardoso asked Chilean businessmen to help by making direct investments in Brazil so that the Brazilian Government will be able to maintain the above growth rate. He said: "Brazil needs between $5 and $6 billion annually in the area of energy, between $3 and $4 billion annually to expand its oil production, and between $3 and $4 billion to develop its telecommunications system." He added: "Your investments will be welcomed." [passage omitted]

Cardoso Views Argentina Crisis

PY0403014595 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 3 Mar 95

[FBIS Translated Text] In a news conference he held today in Santiago, President Fernando Henrique Cardoso conveyed his gratitude for the cordial, warm treatment he was accorded in Chile. He said his visit marks the beginning of constructive work that will be instrumental in promoting close cooperation between Brazil and Chile.

[Begin Cardoso recording] I believe that by getting to know each other better, Brazil and Chile will pave the way for a closer cooperation not only between our two govenrments, but also between our two peoples, between our societies. Today, there is no longer any doubt as to the decision of the Brazilian Government and of the Brazilian nation as such to open itself up to growing contacts in the economic, political, and cultural areas with our Latin American neighbors, and with a sister nation with which we do not share a common border but which is closest to us: Chile.

The above Brazilian decision has elicited full support from President Frei and from the Chilean Government. As soon as we approve the constitutional amendments in Brazil—which I recently proposed to the Brazilian Government, and which will permit a more active participation by foreign capital in the infrastructure of the Brazilian economy—I am sure that Chile will find excellent investment opportunities in Brazil. [end recording]

In Cardoso's opinion, neither the exchange problems confronted by Mexico nor the Argentine situation pose any threat to Latin American integration.

[Begin Cardoso recording] [words indistinct] Brazil would not have been able to join the Common Market of the South, Mercosur, when it did, because when Brazil joined Mercosur, we had a very high inflation rate and our macroeconomic policy was very different from that of Argentina. Nevertheless, we engaged in negotiations and joined Mercosur. Furthermore, I do not believe there is a crisis. The word crisis is too strong. There was a crisis in Mexico. There are still some unsettled issues in other countries, but there is certainly no crisis in Chile or Brazil—neither an exchange crisis nor any other crisis. Rather, the contrary is true. [end recording]

Commenting on the Argentine situation, Cardoso said that the administration of Carlos Menem has not asked for any help from the Brazilian Government.

[Begin Cardoso recording, in progress] ...reliable information on Argentina that would cause me to be more concerned. Argentina is taking the appropriate measures to basically address the situation of some banks. As everyone knows, whenever there is a problem of liquidity, the respective central bank must take action. As far as I know, there is absolutely no need for any Brazilian help. As a matter of fact, this help has not been requested. [end recording]

Cardoso Explains Exchange System

PY0403034095 Sao Paulo AGENCIA ESTADO in Portuguese 2232 GMT 3 Mar 95

[Report by special correspondent Ribamar de Oliveira]

[FBIS Translated Excerpt] Santiago, 3 Mar (AE)—President Fernando Henrique Cardoso was more careful today when speaking about the "exchange band" system, which, according to his remarks yesterday, would be used "more effectively" from now on by the Central Bank. "I am no longer the finance minister, and I do not follow up on the daily technical decisions on the subject," he said, trying to avoid the issue. [passage omitted]

President Cardoso's statements in Santiago show that the government will allow the dollar quotation to vary with greater intensity, possibly with a greater interval between the floor and ceiling quotations.

The president said today that the government's problem now is to prevent an "excessive valuation" of the real. He denied that he is thinking of devaluing the Brazilian currency in relation to the dollar. He said that the Central Bank intervened in the exchange market only to prevent the further valuation of the real. "The trend in Brazil has always been toward a stronger real on account of the inflow of dollars," he said.

The following are the complete statements by President Cardoso about the "exchange band" issue:

"I am no longer the finance minister. I am only the president of the Republic. I have not followed up on the daily technical decisions on the subject. Of course, the band system is something used very frequently in Europe. Well-known economists, and I recall Mario Henrique Simonsen, have proposed that Brazil adopt a wide band system. Let us not enter into these technicalities. We do not know what the narrow band system is, much less the wide one. But the fact is that the method used in Brazil is the following: The Central Bank intervenes at certain moments to ensure that the real does not become stronger. The tendency in Brazil has always been toward a stronger real on account of the inflow of dollars. The Central Bank has intervened sometimes to immediately return the situation to the appropriate terms. We do not have a system that limits the Central Bank action to a fixed system. In your question, you used the expression informal band. I do not know whether it is an informal band. The Central Bank evaluates the market situation and intervenes with certain flexibility. The only problem we currently have is the opposite. It is not devaluation of the real, but excessive valuation.

"Now, eventually this causes a distortion in some sectors—shoes, textiles, and furniture, mainly in the State of Santa Catarina, particularly for exports meant for the U.S.

market. As I already said, Brazil trades with countries on all continents. Trade with the United States represents, at the most, 25 percent of our exports. When we trade in dollars, there can be a problem with the products that are meant only for their markets. When the market operates with the yen (Japanese currency) or the mark (German currency), which are stronger than the dollar, we observe that the real is not that strong. Therefore, exports to those markets have not been affected very much.

"Besides this, the production of export goods has increased considerably, which makes us competitive despite the strong real. In the case of shoes and furniture, the government will implement specific measures. The Argentines call this "tax refund" [reintegro], which is a mechanism to compensate the affected exports. A tax reduction could also be implemented. These are specific things that have nothing to do with the general trade system."

Cardoso Criticizes IMF, World Bank

PY0403040295 Sao Paulo AGENCIA ESTADO in Portuguese 2319 GMT 3 Mar 95

[Report by Ribamar Oliveira]

[FBIS Translated Text] Santiago, 3 Mar (AE)—President Fernando Henrique Cardoso today criticized the IMF, which he called "arrogant." He also said that its evaluations of the economies of its member countries lack "a political and democratic" dimension. "The manner by which it evaluates developing economies is very limited," he said.

When speaking to the members of the Economic Commission for Latin America (ECLA), a UN organization in which he worked during his exile in Chile, Cardoso said that the IMF denied Brazil, in the beginning of 1994, "a measly $2 billion." The Brazilian Government requested this amount to complete payment to private banks.

"The IMF officials said that Brazil did not meet the technical conditions to obtain the loan. What did they know? God, let us see a little less arrogance," the president said. This has been the strongest criticism a Brazilian president has made of the IMF since former President Fernando Collor de Mello expelled IMF official Jose Fajgenbaum from Brazil in 1991.

During an informal conversation with reporters yesterday, President Cardoso expressed his annoyance at the denial of the loan to Brazil and the approval of a $17 billion loan to Mexico. Some presidential advisers reported that Cardoso has frequently complained about the "erratic behavior" of the IMF and its evaluation criteria, which are difficult to understand.

For President Cardoso, the IMF experts are concerned only with "deficits in this and that," with "operational surpluses," and with "arrival accounts" [contas de chegada]. If those goals are met, everything is all right, he said. "But fortunately we did not obtain the loan, because we would have been required to submit to its monitoring, which would not have allowed us to do what we wanted."

The criticisms of the IMF were expressed as an example of the uselessness of the institutions created at Bretton Woods (the IMF and the World Bank) and the harm they currently cause the world. These institutions, he said, cannot solve the problems created by the development of the international financial market, especially by the movement of speculative capital. "They are institutions created before the computer age," he said.

President Cardoso asked the ECLA members to study mechanisms to replace "the institutions of Bretton Woods" and ensure trade, financial liquidity, and financing for developing countries. He has no doubt with regard to the source of the solution. "The rich countries must say what to do with this world they created, because Frankensteins they do not know how to control have emerged," he concluded.

Joint Communique Signed

PY0403040995 Sao Paulo AGENCIA ESTADO in Portuguese 0127 GMT 4 Mar 95

[Report by Ribamar Oliveira]

[FBIS Translated Text] Santiago, 3 Mar (AE)—After two days of negotiations, the governments of Chile and Brazil today released a generic communique, in which they only stated their "firm decision" to reach an agreement concerning Chile's association with the Common Market of the South (Mercosur). The two governments have recognized that regional integration mechanisms allow them to realistically view the goal of achieving a free trade area of the Americas by no later than the year 2005.

Juan Salazar, the leading Chilean negotiator with Mercosur, said that compliance with the 15 June deadline for the conclusion of technical negotiations "is very likely." The signing of an agreement establishing a timetable for the reduction of Mercosur tariffs with Chile has been set for 30 June.

Chile is seeking a way of associating with Mercosur that would not prevent it from joining other economic blocs such as NAFTA. President Fernando Henrique Cardoso considers this to be possible and proposed, with the concurrence of President Eduardo Frei, that a process of physical integration be set in motion. Cardoso said: "Let us stop talking only about tariffs."

Carodoso's idea is that Chile's integration with Mercosur can be implemented immediately by linking the ports of Santos and Paranagua with the port of Arica, and through the open participation of companies from both countries in building roads and hydroelectric plants and in telecommunications projects.

Colombia

Prosecutor Questions Drug Link Evidence Against Samper Aide

PA0703231095 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 7 Mar 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Prosecutor General Alfonso Valdivieso today dismissed alleged U.S. Government evidence against Monica de Greiff Lindo, international adviser to president Ernesto Samper. According to news reports, the DEA reportedly leaked documents that prove De Greiff, as a government official, accepted a salt shipment to Panama by a company apparently owned by the Cali Cartel.

It seems the U.S. DEA was initially in charge of the investigation, which, according to press reports, revealed the contract De Greiff signed when she was manager in charge of the Concesion Salinas Co. Valdivieso, however, warned that this sort of document is easily forged. For this reason, the presidential adviser [as heard] has asked for an immediate inquiry into the case.

[Begin Valdivieso recording] Based on the information I have received, it seems to me that this is a typical case of distortion. An inquiry should clarify all of this. Official documents were improperly used. Although the documents were flawed, they were used for this purpose. [end recording]

The prosecutor said that if it learns the DEA leaked the report, he will immediately request its help in clarifying the Concesion Salinas-Exposal [expansion unknown] case.

Samper To Raise Drug Issue in Europe

PA0803035695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0058 GMT 8 Mar 95

[Speech by President Ernesto Samper Pizano; place not given—live]

[FBIS Translated Text] Colombians, tomorrow I will begin an important trip to attend the summit on poverty that will be held in the city of Copenhagen. Over 100 heads of state have confirmed that they will be in Denmark. For the first time in many years, the world is again thinking about people as we are doing here in Colombia. Over 300 million poverty-stricken people hope that the summit will amount to something more than a simple collective act of repentance. They expect tangible solutions to meet their considerable needs.

On Colombia's behalf, I will present the proposal of forming a worldwide network of social solidarity, through which the wealthiest countries would offer assistance to the poorest countries. It would be a network like the one that is beginning to function here in Colombia, which would reach social sectors that have been deprived of progress: single mothers, impoverished elderly people, malnourished children, young drug addicts, and part-time workers.

My goal is to rescue these millions of citizens from their current condition within a deadline of 10 years by investing $40 billion annually, which is 20 percent of what the countries of the world are currently spending on their own social development. It is an ambitious goal but one that cannot be postponed.

It serves no purpose to continue talking about economic openness, new markets, and technology if we are not capable of allowing a larger number of people to benefit from economic progress. Openness, here or anywhere, should not become a game of losers and winners in which some people receive slices and others receive crumbs.

When I present the proposal in Denmark I will be thinking of the 12 million poorest Colombians, whom we are beginning to reach with the social leap, the network, and the social pact. Later on, I will visit Belgium, a country with which Colombia has maintained excellent relations for many years. There I will sign a contract for the sale of Colombian coal and another for technical and financial cooperation with Banco Europeo de Inversiones.

I will meet, as I do every time I go abroad, with the Colombian community. My experience as ambassador in Spain taught me to admire Colombians who live abroad. It is not easy. It is not easy to be a Colombian abroad. The stigma of drugs follows us like a gypsy curse. However, this should not discourage us. On the contrary, it should give us more than enough reasons to continue demonstrating our resolve to struggle against drug trafficking.

In Europe I will express Colombia's hope for increased international commitment to the struggle against this problem, which is not only ours since it belongs to all of humanity. Colombia will work within the framework of the Vienna Convention and in cooperation with all the countries that wish to join an undertaking of shared responsibility to eradicate illegal crops, pursue the drug cartels, intercept the trade, combat trafficking with weapons and explosives, attack drug consumption head-on, and control money laundering.

We cannot continue blaming each other and evading our own responsibilities; beating not our chests but that of our neighbor. No. We must all work together against an evil that affects us all. We Colombians are more the victims of drug trafficking than its executioners.

This is what we told the U.S. Government when the famous certification issue was being discussed. We later publicly regretted the decision adopted because it unfairly disregarded the magnitude of Colombia's efforts in the struggle against drug trafficking, with its high cost in human lives and economic resources. Certification is a unilateral decision by a foreign country. With or without certification, alone or accompanied, we are going to continue struggling against drug trafficking with conviction and determination, because of its profound ethical implications, for public health reasons, and because it affects national security. We will do this, as I will announce at the European Parliament, with all the countries that wish to join us.

On this sensitive issue as on many others, such as the quest for peace, we are on the right path. I will continue working with a cool head and a dignified attitude, making Colombia respected under the guidance of the best adviser I have found thus far: my own conscience.

I thank all Colombians for the voices of support I have heard over the past few weeks and which I would like to interpret as their expressions of solidarity toward their own country. I also interpret this support as an opportunity, as president of all Colombians, to summon the entire nation as I am doing now, regardless of class or party, to close ranks around this pledge to struggle against drug trafficking and its many criminal manifestations.

No one, no one besides the drug traffickers will benefit from our embarking on a process of mutual recriminations and personal discrediting among those of us whose legal and moral duty it is to combat this scourge here and throughout the world.

I must also confess that as president, it is difficult for me to even think that there may be a Colombian abroad who, with regard to such a sensitive issue as this, might be encouraging hostile feelings toward his own country.

To continue with my trip, I will wind it up at the European Parliament, where I will discuss our relations with the old continent. Colombia must open new opportunities for investment, trade, and technical cooperation in such parts of the world as Europe and Asia Pacific, without sacrificing our natural partners, who form part of the inter-American continent.

Our representation at new development forums is perfectly possible. If we were to take Colombia to the Pan-American games in Argentina, we would win gold medals for our smooth coffee, flowers, and nickel. We would also get a silver medal for our coal and bananas, and we would receive another meritorious award for the recent inauguration of the Cusiana oil well, which will totally transform our economy by the end of the present century.

The year also opened with good news: inflation is under control and is still dropping; food production is on the right track; and international economic magazines are recommending Colombia and Chile as the safest places to invest in turbulent Latin America. I am going to recount these and many other good things about Colombia to the European countries and businessmen, to convince them to take a little trip to Colombia and to invest on the future of this nation, this privileged place which my grandfather many years ago named Our Lovely Colombian Country, after one of his novels. Good evening.

Ecopetrol Announces New Oil Discovery

95CA0150A Santa Fe de Bogota EL ESPECTADOR in Spanish 20 Feb 95 pp 1-2B

[Article by EL ESPECTADOR staff writer Gladys Sarmiento: "More Oil!"]

[FBIS Translated Text] Santa Fe de Bogota—Seismic studies have just proven that much more oil than was ever imagined is to be found in the Llanos Piedemonte.

And for the first time Ecopetrol went so far as to acknowledge that probable reserves have been estimated at 3.9 billion barrels, on top of those in Cusiana and Cupiagua.

The new discovery would triple the crude oil bonanza to six billion barrels in the eastern mountain range.

In the wake of the new studies Colombia is likely to boost output to 700,000 barrels a day, 200,000 more than Cusiana will be putting out in late 1997.

The potential new reserves are spread over a total area of 1,353,432 hectares, where the current seismic studies are going on.

Next will come the drilling work to determine the extent of reserves accurately. Ecopetrol can tentatively say that there are probably oil and gas reserves equivalent to 3.9 billion barrels.

The Coporo field is also located in Piedemonte and is said to contain reserves as large as those in Cusiana.

Ecopetrol will be exploring for oil directly for the first time in this field, located in Medina, Cundinamarca. To this end, the state-run company will contract out the exploration work, but the finds will be owned exclusively by the country.

This promising outlook clearly expands the bonanza that began with Cusiana and that will reach its peak in 1998 with the start of the second phase of production, during which 500,000 barrels of oil a day will be produced.

Nonetheless, the country will have to wait at least a year before it knows for sure that it has two more Cusianas.

Cusiana and Cupiagua were discovered in 1989, for example, and the deposits were not declared commercially feasible until 1993.

The Piedemonte Contracts

The exploration work is being done by Esso, Total, Kelt, BPX, Chevron, and Oxy under 11 partnership contracts, eight of which are in the exploration phase and three in the development phase.

Esso is the operator under the Llanos-7 contract, the French company Total under Llanos-9, and the French company Kelt under Llanos-10, while the British firm BPX is the operator in Piedemonte, Piedemonte Occidental, and Rio Chitamena.

However, the Florena I well, which has three geological formations (Mirador Superior, Mirador Inferior, and Pauto Sur B) and comes under the Piedemonte contract, turned out to be dry in Mirador Superior, where the drilling went down to 12,300 feet. Therefore, the exploration efforts will be deepened in Pauto Sur B to 17,000 feet, and the results will be known in two months or so. BPX thinks, however, that the chances are not too good at this point. The operator at Recetor is BPX, in partnership with Inaquimicas and Deilmann Erdd Erdgas.

It bears noting that BP owns 63.33 percent of the shares in Recetor, Erdgas 20 percent, and Inaquimicas (from the Santo Domingo Group) 16.67 percent.

BPX is also doing development work in Piedemonte under the SDL and Tauramena contracts with Total and Triton, its partners in Cusiana.

There are also the Rio Blanco contracts, under which Chevron from the United States is operating with its partner Opic. Oxy's partners in Samore are Copeco and Shell.

Twice Cano Limon

Although Colombia is far from becoming an oil power, Cusiana and Cupiagua (2.1 billion barrels) represent the biggest deposit yet discovered.

These two fields have doubled our hydrocarbons reserves.

The one billion barrels in Cano Limon in Arauca are the second biggest find in the country's history and were strategically important because they "prevented the economy from entering a crisis" had production run out, the president of Ecopetrol, Juan Maria Rendon, said.

Tomorrow Is the Big Day

Tomorrow will mark the official start of production at the Cusiana field and the Central Processing Facilities (ICP).

This will be a symbolic act, because production has already begun, topping 10 million barrels. Extensive testing began in mid-1992, and commercial production started in October of last year.

What will be unveiled tomorrow is part of phase one in production, which required investments of $1.5 billion in the ICPs, the flow lines, the expansion of the Vasconia-La Belleza pipeline, the expansion of four pumping stations, and the drilling of the producer wells and the gas and water re-injection wells.

Output currently stands at some 90,000 barrels of oil a day. During the second half of the year it will reach the Phase I goal of 185,000 barrels a day and 80 million cubic feet of gas a day.

Two of the four production units are operating a present. The third unit will go on line in the second quarter and the fourth in the third quarter. That will end Phase I, whose goal is 185,000 barrels a day.

As for gas, until the first decade of the next century it will be reinjected to enhance the recovery of crude oil, and only a small fraction will be extracted under the program for the mass use of this fuel.

The facilities that will enable Ecopetrol to use 20 million cubic feet of gas in certain towns in Casanare, Apiay, and southern Bogota are being built at the moment.

Phase II

Phase II will begin when the goal of 185,000 barrels a day of crude oil has been achieved. It aims at 500,000 barrels a day and will require total investments of $6 billion.

[Box, p 2B]

Number One Export

In a talk with EL ESPECTADOR the president of Ecopetrol, Juan Maria Rendon, contended that exports of hydrocarbons would be up $1 billion in 1995, with the proceeds to be reinvested in Phase II of Cusiana.

Oil will thus become Colombia's number one foreign trade item, accounting for 30 percent of our exports.

The country's sales on the world market in 1994 totaled $9 billion, $1.4 billion of which were fossil fuels. This year they are expected to hit $11 billion, with oil exports accounting for $2.4 billion.

Ecopetrol is preparing an aggressive campaign to sell our crude oil on the U.S. market.

The campaign called "Cusiana Quality" will be launched on 20 March in San Francisco (United States) during the Congress of Petroleum Refiners. Not only does this field contain our largest reserves, but the quality of its oil is among the best in the Americas.

It is a light, low-sulfur oil that is much sought after by American refineries now that the new regulations aimed at reducing pollution took effect there on 1 January of this year (nonaromatic oils low on olefins and sulfur).

In addition to the San Francisco meeting, there will be another gathering in Washington on 23 or 24 March to demonstrate the strategic importance of Colombian oil to the United States, i.e. its high quality.

Because this is a light crude, it can be sold for a $2 to $2.50 surcharge, that is to say, 15-percent higher than oil from Cano Limon.

There is also the possibility that Colombia could eventually build a refinery here to supply the U.S. market.

A refinery requires an investment of between $1.5 and $2 billion to transport 100,000 barrels a day.

Ecuador

Finance Minister on Revenues To Cover Cost of War

PA0803025695 Quito Voz de los Andes in Spanish 2300 GMT 7 Mar 95

[Report by Leila Carriel; from "The Voz Andes Newscast"]

[FBIS Translated Text] Finance Minister Modesto Correa has confirmed that the war with Peru has cost Ecuador $150 million. The minister does not dare say yet how much the war will cost by the time the conflict is over, adding that so far, it has cost $150 million.

[Begin Correa recording] The $150-million version is the correct one. That is what I actually said to a newspaper, EL UNIVERSO, and I think this was published on Sunday. Or was it Saturday? In fact, the newspaper quoted me. The $250-million figure was mentioned because, as I said, part of the...[pauses] the equivalent of $150 million in sucres...[pauses] this means I give the Central Bank sucres and it gives the National Security Council or the National Defense Board dollars in due time, no? This is what occurs.

The figure we have mentioned so far...[pauses] it was actually $150 million. [end recording]

The government has implemented a 2-percent circulation tax and a two-day wage or salary contribution from the Ecuadoreans. Minister Correa says this will result in the collection of $70 million or $80 million, which is not enough to cover the $150 million spent so far. The minister agrees that other measures should be implemented, including the cancellation of Value Added Tax [VAT] exemptions, because it is necessary and appropriate.

[Begin recording] [Correa] It is appropriate because we will be able to collect funds that are not included in the budget. It is necessary because we will not have...[pauses] we will not need to take from or adjust certain projects or establish a new list of priorities regarding certain revenues.

[Reporter] Would revenues increase significantly if [words indistinct]?

[Correa] Well, yes. The revenues will reflect exemptions that are cancelled. Undoubtedly, when meetings were held by the economic front and the authorities in charge of this issue, the main goal was to avoid as much as possible affecting staple foods, mainly the products that comprise the basic food basket, medicine, and other raw materials that are necessary to maintain an effective production. [end recording]

The government is already talking with the legislative blocs to approve the cancellation of VAT exemptions. Finance Minister Modesto Correa said the government will also cut the state budget for this year, adding that this will be done in a progressive way rather than a radical way. He is certain that other measures are necessary to compensate for the expenses incurred by Ecuador during the war with Peru, and these measures will probably be adopted in the near future.

Meanwhile, Finance Minister Modesto Correa signed a readjustment contract with customs inspection companies. This will improve the legal framework of the state's contract with customs inspection companies in the port of Guayaquil. The new contract foresees a minimum reduction on merchandise controls, from $5,000 to $3,000, thus eliminating tax evasion.

[Begin Correa recording] We must remember that the country has two major revenue sources—oil revenues and non-oil revenues, meaning the traditional revenues or taxes. The only way to avoid having to increase fuel prices is by making sure the second source of revenues, meaning taxes and customs rights, are efficiently and honestly implemented. When we have higher non-oil revenues, either taxes or customs rights, we will be able to stop resorting to instruments...[pauses] throughout our history as oil producing countries we have always resorted to increases in gasoline prices. [end recording]

The new contract says companies will how have between three and six days to carry out all import procedures instead of the vague deadline that prevailed until yesterday. Minister Modesto Correa praised the work carried out by the customs inspection companies and said tax evasion has been thwarted. All the changes have been implemented upon request from the private sector and chambers of commerce.

Minister: Peru's Military Might No Threat

PA0703134695 Quito Voz de los Andes in Spanish 1200 GMT 7 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuadoran Defense Minister Jose Gallardo has said Peru's military might is no threat to the country. He has said Peru does not intimidate Ecuador even though it is a well-armed country, because it is prepared to face any emergency. He has said Ecuador knows Peru is armed, and that is why the Armed Forces have prepared themselves to successfully defend the attacks from the south.

Defense Minister Denies Buying Israeli Planes

PA0803025995 Mexico City NOTIMEX in Spanish 1814 GMT 7 Mar 95

[FBIS Translated Excerpt] Quito, 7 Mar (NOTIMEX)—Ecuadoran Defense Minister General Jose Gallardo today denied his country purchased 25 Israeli jet fighters before the armed conflict with Peru erupted, and he downplayed the cost of the hostilities for Ecuador.

"It is completely false" that Ecuador purchased Kfir planes, the high-ranking official said, while insisting that "when things clear up, we will see that this report is false."

The defense minister refused to describe as a victory the results of the recent military operations in the Upper Cenepa Valley. "I would rather talk about fulfilling one's duties," he pointed out.

So far, the Ecuadoran Armed Forces have reported casualties of 29 dead and 89 wounded in more than a month of hostilities. This country also has lost five helicopters and at least four planes since the beginning of the conflict on 26 January.

Gallardo, who said he still does not have an exact estimation of the cost of the conflict, underscored that he could affirm the fact that "the cost has been minimal" for Ecuador, because the mobilization of personnel has been light, and because Ecuador has not lost many planes or helicopters.

He stressed that the Ecuadoran High Command based it decisions on the needs of the conflict, adding that, from this standpoint, the nation's call-up of reserves did not involve large amounts of money.

He also emphasized that the amount of materiel used was not extensive, because the Armed Forces engaged in a confrontation aimed at "weakening the enemy troops while preserving our resources and territory."

"We mobilized while saving a great deal of money. We had the idea that, if this conflict was to be prolonged, the costs for Ecuador would be minimal," Gen. Gallardo affirmed. He added that maintaining a nation's economy without allowing it to collapse during a conflict is one form of winning a war, and he noted that this concept shaped Ecuador's military operations.

He pointed out that Ecuador's inflation rate in February was only 1.27 percent, a rate lower than January's, although there were more hostilities reported in this period.

He explained that the Armed Forces budget covered all expenses associated with keeping troops at the front and at the rear guard. This budget, however, did not finance expenses related to salaries, food, medicines, uniforms, and transportation.

Government sources have reported that the expenses incurred during the military operations in the Upper Cenepa Valley in the Condor Mountain Range ran between $150 million and $250 million. The local media, however, maintain that expenses amounted to $350 million. [passage omitted]

Navy Patrol Exchanges Gunfire With Peruvian Vessel

PA0703175195 Mexico City NOTIMEX in Spanish 1609 GMT 7 Mar 95

[FBIS Translated Text] Quito, 7 Mar (NOTIMEX)—It was learned here today that an Ecuadoran Navy Patrol exchanged gunfire with a Peruvian registered vessel at the Jambeli Archipelago, located along the border between the two countries on 5 March.

According to reports by the daily EL UNIVERSO, the incident took place at 18:30 local time (2330 GMT) on 5 March after the Peruvian vessel did not comply with an order to halt issued by the Ecuadoran Navy Patrol.

No one was injured during this incident, and the Peruvian motorboat is under the control of the Ecuadoran Navy, the newspaper added.

The newspaper information states the vessel belongs to a former Peruvian republican guard and had been navigating near the Ecuadoran port of Hualtaco since 3 March.

It adds the Ecuadoran Navy redoubled its patrol in the area following that incident. The two countries have been concentrating military forces along the common border since last January, when skirmishes erupted to gain control of the upper Cenepa in the Amazon region.

The pacification process, under the mediation of Argentina, Brazil, Chile, and the United States, should end with the withdrawal of troops to both sides of the Ecuador-Peru border.

Observers Delegation Said To Reach Only Watch Post No. 1

PA0703134795 Quito Voz de los Andes in Spanish 1200 GMT 7 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The Argentine ambassador in Lima, Arturo Osorio, has said his fellow countryman Colonel Rodolfo Antonio Aguilar and other members of the observer delegation from the guarantor countries have only reached PV1 [Watch Post No. 1] and not Base Sur and Cueva de los Tayos as the Peruvian media reported yesterday.

The chief of the diplomatic delegation has denied reports published in the Peruvian media, attributed to the Argentine observer, stating he had reportedly confirmed the presence of Peruvian troops in Cueva de los Tayos and Base Sur.

The ambassadors of the four guarantor countries of the Rio de Janeiro Protocol will visit Base 21-Condor in Patuca today. The diplomats have expressed their desire to visit and support the work done by the observer mission. The arrival of observers from Argentina, Brazil, Chile, and the United States is scheduled for 1100 today, and the visit will last only one day.

Peru

General's Removal Causes 'Annoyance,' Uneasiness

PY0703230795 Madrid EFE in Spanish 2039 GMT 7 Mar 95

[FBIS Translated Text] Lima, 7 Mar (EFE)—The Lima press reported today that Peruvian troops who had fought in the recent conflict with Ecuador are experiencing some "annoyance" after the removal of their chief, General Vladimiro Lopez Trigoso.

Lopez Trigoso last week was relegated to a second level following the creation, by decision of Peruvian President Alberto Fujimori, of a new military region that has more power than the division he was commanding.

The newspaper EL MUNDO and the radio station Radio Programas have reported that "there is an obvious uneasiness" in the Peruvian Armed Forces who had fought in the conflict recently, due to the accusations made by one sector of the press against Lopez Trigoso, which apparently caused his removal.

The Lima Panamericana Television Network last Sunday [5 March] accused him of being responsible for the fact that Peruvian troops were fighting without food and without adequate medical support in the rear, due to the negligence of their commander with regard to logistics issues.

The television station reported that the supposed negligence "was verified" by Fujimori during the visit he made two weeks ago to the conflict zone together with a group of Peruvian reporters.

EL MUNDO reported today that the accusations against Lopez Trigoso "have had a great impact" on the headquarters of the Peruvian troops who had fought at the front, the "El Milagro" base, and released some reports collected there from military sources.

One of the reports states that the removed chief "would be only partially responsible, because other officers could have been responsible for the fact that the food did not reach the soldiers who were at the front lines."

The sources cited by the newspaper also consider "unjust" the fact that Lopez Trigoso is blamed for having allowed the Ecuadoran troops to infiltrate Peruvian territory, "because the infiltrations took place before he had assumed command of the division."

The newspaper said that General Lopez Trigoso himself has apparently requested an investigation by his institution into the accusations made by the television station.

General Perez Documet, however, has banned the entry of reporters into the "El Milagro" base and any contact between his personnel and reporters, according to the Peruvian press, which has bitterly criticized this attitude.

"The most noticeable aspect concerning his (Perez Documet's) short period of management is his very bad relationship with the press, because it is well known that he had said he did not want to see reporters, even in Bagua," a town adjacent to "El Milagro," EL MUNDO reported.

Fujimori-Military Relations Examined

PY0803034395 Lima CARETAS in Spanish 2 Mar 95 pp 21-22

[FBIS Translated Text] When President Alberto Fujimori was returning from his agitated visit to PV1 [Watch Post 1] and Cueva de los Tayos, he fired his ammunition at those who criticize from Lima, comfortably seated at their desks. Many thought that he was referring to the opposition candidates; however, he seemed to have been aiming in another direction.

According to Fujimori, on Sunday, 26 February, he paid a surprise visit to El Milagro and Ciro Alegria bases to oversee the supply of provisions, which was not functioning adequately. The attack was against the military command that was solely responsible for logistical support.

Symptomatically, General Nicolas Hermoza Rios, who has disappeared from the scene for too long, reappeared precisely when Fujimori left for Montevideo.

In a very brief trip on Tuesday, 28 February, from Lima to the El Valor Airport, to Ciro Alegria, and to PV1, and returning the same day, Gen. Hermoza Rios, head of the Joint Command, seemed to be interested in showing that he is keeping some distance from the president, to whom he had attributed, at the beginning of the conflict, the command of the military operations.

Hermoza traveled together with a group of reporters, although it has been decided to keep the press away from the conflict zone for four days. He did not meet with the observers whom the guarantor countries have sent on an urgent basis to try to implement the cease-fire and the separation of forces.

The unfavorable results of the incident with Ecuador seem to have fanned the flames of disagreement between Fujimori and Hermoza Rios. The president had reportedly reprimanded the general for having given him a mistaken evaluation about the possibilities of quickly ending the Ecuadoran infiltration.

Thus, when Fujimori realized that there were no prospects for a rapid military victory, and that a protracted war could seriously jeopardize his electoral chances, he reportedly decided to end it in any way.

One version of this interpretation was given by General Carlos Mauricio (retired) when he told a local newspaper last week that "the Peruvian Armed Forces were in a position to continue with their offensive to the point of definitively evicting the invaders, and apparently they were not consulted before the signing of the peace agreement. When the operations were suspended, the Armed Forces felt frustrated."

Although it is not clear whether Mauricio's optimistic assessment is correct, it would seem that in fact not all the military officers were in agreement with regard to signing the peace accord under those conditions. Many have retained a bitter taste in their mouths.

As is known, victory has many fathers but defeat is an orphan. Now everyone is accusing each other of being responsible for the advent of that undesired offspring.

The fact is that after the signing of the Itamaraty Agreement on 17 February, the fighting continued and an increasing number of soldiers were deployed to the advance posts. General Vladimiro Lopez Trigoso himself marched in front of his troops to an area very near Tihuinza.

Apparently the military "theory of the yarn" has been put into practice, that is, if yarn is pushed from behind, it does not go forward but becomes all tangled up. To maintain the proper tension, one must pull the yarn forward. This means that the higher-ranking officers must go ahead, "pulling" the rest, and not stay behind giving orders.

But not even the presence of Gen. Lopez Trigoso could change the fate of the confrontation, and the situation remains in an impasse, with a high cost for both sides and no one progressing further than the previously existing positions.

Thus, the new cease-fire agreed upon in Montevideo on Tuesday, 28 February, could be final.

While the active defense minister, General Jose Gallardo (retired), plays an outstanding role in Ecuador, here General Victor Malca (retired) is no more than the shadow of Gen. Hermoza Rios. On Monday [27 February] he went to Congress and, during a secret five-hour meeting, provided general and incorrect information.

He admitted the existence of some supply problems, but added that they were already overcome.

In fact, Congress has remained at a distance from the conflict. The executive branch has never been interested in the idea of building up an active national consensus around the problem. It only wanted to obtain the passive support of the country's representatives.

Not even the planned trips to the war zone were made, much less the planned trips abroad.

Another element that is contributing to the estrangement between the government and the military institutions is the fact that it is increasingly more evident for the military that the gentlemen's pact conceived of by Carlos Torres y Torres Lara in 1991 was harmful for the country. The Ecuadoran impetus was attributed to the weakness present in that transaction, which encouraged the Ecuadoreans to keep penetrating Peruvian territory.

For instance, the bulletin issued by the Peruvian Air Force Officers' Association in February carries an article by Colonel Carlos Raygada (retired) which states that after the gentlemen's pact in August 1991, a wrong copy was made of the official map issued by the National Georgraphic Institute in which the national territory was mutilated and the borderline established in the official maps approved by the Foreign Ministry and the Joint Command of the Armed Forces was modified.

Col. Raygada says: "It is believed that those unpublished maps were issued with the purpose of supporting the frustrated gentlemen's pact and to temporarily achieve an easing of tension [distension], but like many Peruvians, we are certain that at that price it is not worthy to attain peace or the easing of tension."

It is impossible to continue trying to convince the invader to withdraw, Raygada concludes, when it is obvious that they are trying to seize the national territory. Only by acting firmly and with weapons will we achieve national security.

The result, however, has been that the Ecuadoreans have infiltrated not only in the Peruvian zone that Torres y Torres Lara granted to our neighbors, but in adjacent areas.

In fact, the Ecuadoran post of Nuevo Teniente Ortiz is located in the zone given by Torres y Torres Lara, and in front of the Peruvian post of Chiqueiza, which is outside the area claimed by the Ecuadoreans.

The posts Soldado Monge (Ecuadoran) and Cahuide (Peruvian) are located in the extreme eastern part of the territory disputed by the Ecuadoreans, at the Yaupi-Santiago border marker.

And on the other extreme, one in front of the other, are located the Peruvian Pachacutec and Ecuadoran Etza posts, both in territory each side claims as its own.

The seriousness of the matter is that clashes have been taking place there since the beginning of the conflict, but the Peruvian Government and military officials have avoided the matter. At the beginning of the week, the Ecuadoran minister of defense boasted that they have "wiped the Peruvian Pachacutec post off the map."

As of the time this edition went to print, there has been no denial or explanation from the Peruvian Armed Forces Joint Command.

Government Protests Harassment Campaign Against Diplomats

PY0803021495 Madrid EFE in Spanish 2149 GMT 7 Mar 95

[FBIS Translated Text] Lima, 7 Mar (EFE)—Peru reported today that the attack on 6 March on a Peruvian diplomat in Ecuador is part of a harassment campaign against Peruvian representatives in Ecuador.

Eduardo Gonzalez Mantilla, the Peruvian Vice Consul in Machala, was severely beaten on 6 March by four men dressed in military uniforms. They seized his car which was carrying diplomatic license tags.

Peru and Ecuador began an undeclared war on 26 January in an nondemarcated border area. According to sources from both countries the cease-fire agreed in Brasilia and reasserted in Montevideo is holding.

Through an official communique, the Peruvian Foreign Ministry has confirmed that it has submitted its "categorical protest" to the Ecuadoran Government over the aggression, demanding "severe punishment" for the perpetrators of the attack.

The communique states that the attack "is part of a harassment campaign against Peruvian diplomatic, consular, and administrative officials in Ecuador which have been repeatedly reported to the Ecuadoran Foreign Ministry."

The communique adds that the persistence of these actions "and the absence of measures to prevent these attacks in compliance with Article 29 of the Vienna Convention on Diplomatic Relations, show that the Ecuadoran Government is not offering full protection to Peruvian diplomats."

The Foreign Ministry reasserts its "deep concern" over the "mistreatment and harassment of a considerable number of Peruvian residents in Ecuador" who are not protected by diplomatic immunity.

It adds: "The treatment to which they are being subjected is most unfair because through their work they are helping to promote the social and economic development of Ecuador."

The communique states that the Peruvian Government protests over the way Peruvians residents in Ecuador are being treated. It adds that it has conducted "multiple negotiations" to defend their rights before the international organizations that safeguard human rights.

The communique ends by stating: "Any action that endangers the physical integrity or patrimony of Peruvian diplomatic or consular officials or of Peruvian citizens residing in or passing through Ecuador will be reflected as the international responsibility of the Ecuadoran Government."

Argentine Ambassador Denies Sale of Guns to Ecuador

PY0703023795 Lima Radio Programas del Peru Network in Spanish 0044 GMT 7 Mar 95

[Report by Patricia Etchegaray]

[FBIS Translated Text] Here is a statement by Argentine Ambassador Arturo Osorio.

[Begin Osorio recording] The Argentine Government categorically denies recent reports of an alleged sale of arms to Ecuador.

On the afternoon of 3 March, the Argentine Foreign Ministry issued a communique which has been submitted to the Peruvian Government. Before the issuance of this communique, Argentine Foreign Minister Guido Di Tella summoned Peruvian Ambassador Alberto Ulloa. During this meeting, the foreign minister told Ulloa about the attitude the Argentine Government would adopt. Furthermore, he assured Ulloa that Argentina has not sold any guns to Ecuador.

In this denial, the Argentine Government reasserts the terms of the communique issued on 10 February. In this important communique, the Argentine Government expresses its decision not to authorize the export of guns or war materiel to either of the countries involved in the conflict.

Furthermore, the pertinent Argentine officials have specifically been instructed to deny the use of Argentine airspace to Finair company planes, or any other cargo company presumably transporting or involved in the transportation of guns to Peru or Ecuador. [end recording]

Argentine Ambassador Arturo Osorio added that Peru and Ecuador can be certain Argentina has not relinquished its condition as a guarantor country of the Rio de Janeiro Protocol.

Curfew Imposed in Aucayacu Due to 'Terrorist' Activities

PY0803000695 Madrid EFE in Spanish 1505 GMT 3 Mar 95

[FBIS Translated Text] Lima, 3 Mar (EFE)—It was learned today that according to a communique issued by the antisubversive base in Aucayacu, given the escalation of terrorist activities in the northern Peruvian jungle, the local political-military command has imposed a curfew.

Aucayacu is located in Leoncio Prado Province, in the northern department of Huanuco, and an evening curfew has been in effect since 1 March.

Shining Path terrorist activities have resumed since February 1995, and last Monday, 27 February, a Shining Path column of some 30 men ambushed a military patrol near the locality of Pampa Hermosa, Leoncio Prado Province.

Three Shining Path members and one soldier died in the confrontation, while four other soldiers were injured, including an officer.

The Shining Path terrorists made a reappearance on 20 February in Leoncio Prado Province when they entered the village of Locro one evening and murdered seven people who were members of the civilian groups called "peasant defense patrols" which are opposed to Shining Path.

A survivor of the mass murder who was able to escape and seek refuge in the jungle despite having been wounded was the one who alerted the officials to what had happened.

It was also reported today that Andres Puma, mayor of Madre Mia, left the area with his family after receiving death threats from Shining Path terrorists.

The threats were made after the departure of the military detachment from Madre Mia on 26 January 1995. That locality is located in the northern jungle department of San Martin, adjacent to Huanuco.

Notes on Border Conflict 22-28 Feb

95SM0226D (Internet) DESCO Gopher in Spanish 2 Mar 95

[From Resumen Semanal 22-28 Feb]

[FBIS Translated Text]

20 Observers to Patuca

On 21 February, a total of 20 military and diplomatic observers from Argentina, Brazil, Chile, and the United States arrived in the city of Cuenca, Ecuador, and were then taken to the locality of Patuca. They then proceeded to the border area to oversee the peace process. This "advance" mission is headed by the Brazilian General Ariel Pereyra da Fonseca and it includes an Argentine military officer, four Brazilians, two Chileans, and four representatives of the United States. Several diplomats from each of the four guarantor countries complete the group. (Most dailies 22 Feb 95)

The following day, the head of the "advance mission" of observers, the Brazilian General Ariel Pereyra da Fonseca, said that "there has been a clear violation of the cease-fire agreement signed by Peru and Ecuador, since battles are continuing on the Amazon frontier between the two countries." Although he did not say which of the two nations violated the cease-fire agreement, Pereyra da Fonseca confirmed that the situation in this frontier zone has become more complicated in the last few hours. The present so-called "advance" mission will only visit the Coangos base in Ecuador on Vigilance Post No. 1 (PV1) in Peru. These are the sites at which the embattled troops are supposed to be concentrated, according to the peace agreement. The din of weapons fire in Coangos was gradually growing louder as the international observers studied the maps of the zone, the journalists accompanying the advance mission reported. (Most dailies 23 Feb 95)

Defense Minister Reports 46 Dead

During a session of the Expanded Leadership Council of the Congress on 27 February, General Victor Malca (r), the minister of defense, confirmed that the number of Peruvians killed in the conflict zone has reached a total of 46. This number includes eight Peruvian Army officers. The minister reported on the situation of the Peruvian troops in the zone of conflict with Ecuador since this past 8 February, the date of his last report to the Congress about the clashes.

Although he had no further information about the number of wounded and missing, he said that the families of the Peruvian casualties will be provided with housing. To this end, he added, the Armed Forces will make use of a special fund for the compensation of relatives of the soldiers killed in combat. The minister of defense emphasized that Peru is doing everything possible to comply with the provisions of the Itamaraty Peace Declaration, and he urged Ecuador to respect the cease-fire and honor its commitment. (Most dailies 28 Feb 95)

'Lack of Political Will' for Solution

The "lack of political will" in Ecuador and Peru is hindering the search for a definitive solution to the disagreements that led to the recent war between the two countries. This statement was made by Adolfo Perez Esquivel, the Argentine who won the Nobel Peace Prize in 1980, on his arrival in Peru from Quito for an official visit of two days. He said that the goal of a lasting peace between the two countries should be based not only on the actions of the guarantors of the Rio de Janeiro Protocol, "but on bilateral cooperation, as well." "The two (countries) should pursue a joint path leading to the consolidation of peace and the harmonious development of their peoples, rather than entering into confrontation, which cannot lead to anything good," he said. (EXPRESO 22 Feb 95)

At another point, Nobel Peace Prize winner Adolfo Perez Esquivel said that the peoples of Peru and Ecuador should cease to be spectators in the peace process, and they should not leave the solution to the problem in the hands of their government officials. Both peoples must be protagonists in their own history, he asserted, for if they leave the solution to the problem in the hands of the government and military leaders, we already know what kind of a solution it will be. He then proposed that a referendum be held so that the citizens can express their views about the government decisions and so that agreement can be reached on permanent peace. He expressed the view that despite the awkwardness and difficulty of the issue, this is a valid mechanism whereby the citizens of Peru and Ecuador can state their opinions so as to achieve a definitive peace. (LA REPUBLICA, 23 Feb 95)

Cenepa River Said To Be Known in 1934

The weekly periodical OIGA (No. 732, 27 Feb 95) reported as follows. "The historians, military and political leaders, and sociologists in the country to the north are repeating in chorus that when the Rio de Janeiro Protocol was signed, the existence of the Cenepa River was not known, and that therefore, the territorial demarcation line in the Condor Mountain Range is inapplicable because of the absence of the 'divortium aquarum' between the Zamora and Santiago Rivers. Our neighbors claim that the Cenepa River is located between the two and that it was discovered by the United States Air Force in the course of a survey of the region it carried out, using aerial photography, over a period of three years, from January 1943 until October 1946. This is easily disproved. The Cenepa River was not discovered after the signing of the Rio de Janeiro Protocol on 29 January 1942. The Cenepa River has long been shown on our government maps. The geographic map of the Republic of Ecuador and the northeastern part of Peru drafted on a scale of 1:500,000 in 1934 by the Geographic Service of the Peruvian Army shows its course and name. That the Ecuadoreans had no knowledge of it only shows that they had never been there, first of all because it is located on the eastern slope of the Condor Range, and secondly because it is not connected to any minor tributary of the Zamora River, which would prevent those from the north from descending it to the Maranon River, as their fancy has it. Had it been known, many efforts would have been made to include it on their false maps, which show the Santiago River, which is on our territory, as a minor tributary leading off from the joining of the Zamora with the Hualaquiza and the Paucar. This is false. And there is not even any mention of the Yaupi River, which is indeed marked on the maps and known to the Peruvians. On the map submitted by Ecuador and published in the first issue of the Spanish encyclopedia ESPASA, prior to 1942, the Cenepa River is not shown. Those who have never been owners of anything cannot claim ignorance of what they claim always to have owned."

'Cautionary' OAS Resolution

The Interamerican Commission on Human Rights of the OAS has issued a cautionary resolution in which it urged the Peruvian state to ensure the provisional registration, through the National Election Board, of the independent Armonia-Frempol group's slate of candidates for congressional seats. The resolution, which was issued on 17 February, gives the Peruvian government a period of 15 days in which to determine the steps it will take in response to the request made by the International Commission on Human Rights. Susana Higuchi said that "the OAS measure establishes jurisprudence in the electoral realm, and for this reason I hope that it will be dealt with by the National Election Board in plenary session with thoughtfulness, wisdom, and tolerance." (LA REPUBLICA, GESTION 22 Feb 95)

The National Election Board immediately declared the recommendation of the Interamerican Commission on Human Rights of the OAS, which called for the provisional registration of the Armonia-Frempol slate headed by Susana Higuchi, contrary to law. The electoral body, meeting in plenary session on 23 February, studied the document submitted by the Interamerican Commission through the Peruvian foreign ministry, and it ruled the document inappropriate because it is at variance with the law. The position of the JNE was based on the fact that to accept the Armonia-Frempol registration, "it would be necessary to amend the law, an impossibility because of the time that has elapsed." This information was corroborated by Board member Romulo Munoz Arce, who stated that the response of the JNE, which is being drafted, will be sent before the end of the period of 15 days set by the OAS. (EL MUNDO 24 Feb 95)

Postponement of Election Studied

Raul Diez Canseco Terry (AP [Popular Action]) proposed to the leading presidential candidates that they hold a joint meeting to analyze the possible postponement of the general elections. "When we were in the midst of the conflict, before the cease-fire, we had already thought that if the situation were to continue, it would be very difficult to maintain the electoral schedule," he explained. The reason for this position was that at that time, "the tension and the concern of the Peruvian people were focused on the issue of the conflict with Ecuador and the urgent need to repel the aggression," he said. Later on, he asserted that "regretably, this tension we believed would be overcome subsequent to the Peace Agreement still exists." "I view the possibility of holding an election as posing great difficulties, because the tension and the concern of the citizenry are still focused on the conflict, and this is going to take several weeks." (GESTION 22 Feb 95)

Lourdes Flores Nano, a PPC [Popular Christian Party] candidate for reelection to a parliamentary seat, for her part, came out against postponement of the 9 April elections, a possibility mentioned by the CODE [Democratic Convergence]-Possible Country candidate, Alejandro Toledo. Flores Nano expressed the view that while the conflict with Ecuador is, regrettably, becoming an electoral issue, delaying the elections would create a situation of uncertainty that would not be beneficial for the country. (LA REPUBLICA, EL MUNDO 24 Feb 95)

JPC's 'Commission of Eminent Peruvian Citizens'

Javier Perez de Cuellar (JPC) has announced that on taking office, his government will strengthen the Armed Forces so that they can protect our national sovereignty. "Although I am opposed to a strong armaments policy, because I have always been an advocate of world peace, it is necessary to equip our Armed Forces with the tools they need to deal with any eventuality," he asserted. In another part of his televised address on Channel 11, Perez de Cuellar proposed that a "commission of eminent Peruvian citizens" be established to serve as a permanent advisory board not only to the current chief executive, but to the future government leaders of the Republic, as well. He said that this special commission could include experts in various fields and would serve the purpose of supporting and advising the serving president on various issues of national interest. As to OAS Secretary-General Cesar Gaviria's warning that the body he heads will implement embargoes and sanctions if Peru and Ecuador do halt the armed conflict, JPC stated that the body in question does not have that authority. But he went on to say that the body that is qualified to intervene in such a way is the UN. (LA REPUBLICA, GESTION 26 Feb 95)

Cabanillas: 'Absurd confrontation'

On 27 February, Mercedes Cabanillas, the presidential candidate of the Aprista party, stated that it is absolutely essential not only that Peru denounce the diplomatic-military labyrinth created by Ecuador to avoid compliance with the Itamaraty Peace Declaration and the Protocol, but also that our country put forward concrete proposals for ending this absurd confrontation. On the other hand, she proposed a four-point program for finding a solution to the conflict with Ecuador. First of all, the Peruvian government should demand the withdrawal of the Ecuadoran troops from the area of conflict. Secondly, the guarantors' mission should proceed immediately to the Coangos and PV1 bases, in Ecuador and Peru, respectively, to verify compliance with the cease-fire. Thirdly, the APRA [American Popular Revolutionary Alliance] asks that Ecuador be urged to abandon the use of mines designed to kill individuals, particularly in zones where there is a civilian population, because this practice is in violation of the Geneva Convention. Finally, the program calls for reinstatement of the mixed Peruvian-Ecuadoran commission that succeeded, with the aid of the guarantor countries, in completing the demarcation line with the 78 kilometers that were lacking. (Most dailies 28 Feb 95)

Fujimori, 'a Rambo or a Munra?'

Federico Salazar has expressed the view that "Fujimori did not go to any false Tiwinza, but his adversaries have already taken advantage of the situation. Ricardo Belmont, for example, has said that he himself would raise the flag. Belmont's position will not emerge intact after his own campaign, but I doubt that the same will happen to Fujimori himself. In a possible future "loser's" scenario, perhaps the greatest beneficiary would be someone like Toledo or Ricardo Belmont. Above all if the people continue to identify Perez de Cuellar with the traditional policy. The pattern would only change if Fujimori raised the flag at a false Tiwinza. In the popular imagination (and that of the publicists), he might then become the man who defeated Vargas Llosa, who forced Alan Garcia to run, who captured Abimael Guzman, and, finally, who defeated Perez de Cuellar and put an end to the frontier threat. In short, a Rambo or a Superman. On the other hand, a mistake in the course of what remains of the diplomatic process, could transform him (especially in the eyes of his detractors) into the man who shut down the Congress, who trampled on the Constitution, who put democracy at risk, and who failed to safeguard our territorial integrity. In short, an Oriental Munra. Because of what each of these outcomes would mean for the country, let us hope that we experience nothing that would lead us to either of these extremes. It is therefore necessary to be alert and to express warnings about whatever is bad, without doing harm to or destroying our national unity." (GESTION, 22 Feb 95)

Coumnist: 'Imaginary Victory'

Cesar Hildebrandt has expressed the following view. "One night, the 'Peruvian Patton' announced that the 'third definite attack' on Tiwinza had been the last, and that the victory at that time made possible Peru's generous announcement of a unilateral cease-fire. On the other hand, and immediately afterward, Fujimori and his sidekick Goldenberg accepted the Itamaraty document in which we agreed not to claim as Peruvian what all true Peruvians know to be ours. We now know that this was an imaginary victory, that the 'disorganized troops' involved hundreds of men, and that Tiwinza was the bloodied and fraudulent scene where the 'Peruvian Patton' wanted to be filmed together with his propaganda teams. If we had not abandoned two guard stations on the frontier, if we had not allowed Torres y Torres Lara to be carried away by the idea of acting the gentleman on the other side of the customs post, and if we had had firm and unwavering leadership in this crisis, we would already have ceased to send our men into danger or to their deaths. Lopez Trigoso's commando units legitimately sought to oust the invader. But in the eyes of the world—and I have some chilling press clippings—we are seen as an abusive country, and not far short of vile. Why? Because with the Itamaraty document, that document signed by the Ponce of the department in Quito, and with mixed emotions, we agreed that Tiwinza could not be Peruvian. And if this was true, some uneasy observers are asking, what were the Peruvians doing attacking people in a territory in dispute after having announced a unilateral cease-fire and after signing a so-called 'Peace Agreement'?" (LA REPUBLICA 25 Feb 95)

'It Should Never Have Begun'

Francisco Igartua (OIGA No. 732, 25 Feb 95) had the following to say. "It would be a crime to fail to state that this war should never have begun, for both military and diplomatic reasons. It was absurd to agree to fight on the lower slopes of the Condor Mountain Range. The military said so, and then, after several days had passed, we found that we had plunged into a war without any evaluation of the theater of operations, without any evaluation of the capability of the enemy, without a strategy, and without tactical plans. We discovered that we had fallen into a swamp, into a snare. While the diplomats and common sense warned that in order to obtain for ourselves a better position than that achieved in the Itamaraty Peace Agreement, it would not have been necessary to fire a single shot or for anyone to have been killed or wounded. It would have been enough if Peru, after assessing the military problems in the zone, had stolen a march on Ecuador and denounced the infiltration of its territory to the guarantors. Our situation in the diplomatic area today would then have been very different. In no way would we have been in a worse position than with the Itamaraty Agreement, and no one would have been killed or wounded. The desperate visit paid by President Fujimori to an area near the combat zones had an electoral purpose. The guarantors would have to be excessively stupid to fail to see that the intent could only be electoral gain when the President of Peru set off for Tiwinza immediately after the signing of a peace agreement in which he promised to withdraw Peruvian troops from the combat zones as far as PV1. What was the point of hoisting the national flag in Tiwinza if he would immediately have to withdraw with his troops to the PV1 base in accordance with the peace agreement he had signed? Would it not have been better for Peru, from the diplomatic point of view, to comply with the peace agreement and to denounce the childishness of the Ecuadoreans who stayed in Tiwinza waiting for the observers? But no. It could not have been thus, because President Fujimori lied to the country when he announced an imaginary victory in Tiwinza and then tried to prevent the deception from becoming known. This farce, which would have been a comedy were it not for the blood of those who died or were wounded to no good purpose, is the tragic result of a chain of lies and deceptions that began with a failure of leadership. Let these somewhat harsh reflections, which were nonetheless derived from known facts that should not be concealed from the people, serve to make the government understand that it is necessary to correct course so that this bellicose conflict will not end in a national disaster with too many useless deaths."

Media Reactions to Border Conflict, Cease-Fire

95SM0223B (Internet) Aprodeh Gopher in Spanish 28 Feb 95

[From the database of Peruvian Human Rights Association, Aprodeh]

[FBIS Translated Text]

GESTION Criticizes Ecuador: "Scant Will"

GESTION says that the conflict between Ecuador and Peru has been going on for a month now and seems to have created a very tense climate that could lead to a formal declaration of war. "The armed attacks on the Peruvian post at Cueva de los Tayos, where President Fujimori was, are a flagrant violation of the cease-fire and reflect the scant willingness to comply with the Itamaraty Accord. Ecuador's defiance is part of a strategy to gain the maximum advantage in the negotiations under the Rio Treaty. It is hoped that the meeting of foreign ministers in Montevideo on the occasion of the change of government in Uruguay will express support for peace between Ecuador and Peru and for the efforts of the Rio Treaty guarantors. The situation demands a stronger, more pragmatic reaction from the guarantor countries. The number of victims is rising; the economy is deteriorating, and plans for arms buildups are taking shape. What sort of penalty ought to be meted out to countries that do not respect international accords?" (GESTION, 26 Feb 95)

EXPRESO Says 'No Historical Basis' for Ecuador's Claims

EXPRESO has indicated in connection with the border dispute that basically Ecuador is suffering from a false "recollection of history": the belief that it was actually stripped of "enormous territories" and that its surrender of autonomy on the banks of the Amazon represents an unpaid debt that Peru owes it. "We need to demonstrate, first of all, that there is no historical basis for Ecuador's resentment and that Peru has been the country that has lost territory since the beginning of the republic. We need to point out the facts: that Ecuador's myth about the Amazon has been and is being used to stir up nationalism and to perpetuate the vested interests of a political-military caste that is a parasite on the economy and threatens Ecuadorian democracy. And we need to offer, in exchange for the demarcation of the missing border section, concessions that are provided for in the protocol itself, which will redound to the benefit of Ecuador's economy. In short, pragmatism and less drama." (EXPRESO, 27 Feb 95)

Columnist Calls for Delay of Political Debate

Patricio Ricketts says that the debate begun by Javier Perez de Cuellar on the Itamaraty declaration could be conducted when peace arrives, "but it is manifestly contrary to the national interest at a time when Peru is waging a tough military and diplomatic struggle to uphold its rights without bloodshed. It has never been acceptable to take advantage of the country's external problems, especially when there are critical situations that adversely affect our people's fundamental rights. The country wants to know what is happening; it does not want our politicians, so-called experts, and journalists to keep Ecuador abreast of things that it should not know. This is a war with a death toll, not another one of our political carnivals." (EXPRESO, 27 Feb 95)

Commercial Development of Conflict Zone Urged

Sociologist Jose Manuel Mejia is of the opinion that the objective along the northern border should be to create a major development pole around forestry, dual-purpose livestock raising, high-profit agriculture, processing industries, and mining by way of mid- and large-sized units organized as businesses. "It is also necessary to promote the peopling and colonizing of the zone by taking the necessary measures to award lands through expeditious procedures." (LA REPUBLICA, 27 Feb 95)

EL MUNDO Urges 'Ultimatum' to Ecuador

EL MUNDO says that the government's apparent decision to finally dislodge the Ecuadorian soldiers quartered in our territory is more than a just response to an intolerable situation. "Besides our having a legal right to do so, Ecuador has been trying our patience. Incidentally, we regard as petty the criticisms of Fujimori's visit there. As we said before, the important point is that Peruvian territory should have been free of Ecuadorian posts before the Itamaraty Accord was implemented. The military response to the infiltrations has not been long in coming. We think that we should again consider the option of giving Ecuador an ultimatum, after which we would be in a position to respond with weapons too, thus ending the geographical disadvantage which we are at in the current area of conflict." (Most dailies, 27 Feb 95)

EL COMERCIO Urges Proactive Guarantors

EL COMERCIO says that the latest declaration issued by the guarantor countries as a result of the testimony given by the preparatory mission that visited the scene of events, vigorously condemns Peruvian and Ecuadorian violations of the cease-fire and notes that a complete end to hostilities is indispensable in order for them to continue playing their role as guarantors of the Rio Protocol. "We understand the denunciation by and the concern of the guarantors, inasmuch as the hostilities have continued. But their efforts cannot stop there. This is precisely the time to bolster their involvement and to expedite the mission of their observers so that they help achieve pacification as soon as possible." (EL COMERCIO, 27 Feb 95)

Editorial Emphasizes Nations' Interests in Conflict Zone

LA REPUBLICA says that as a result of the conflict with Ecuador the authorities are being asked to pursue a policy of "living borders." "Nevertheless, colonization with the establishment of new towns is unworkable. It was tried 14 years ago and failed. The Cenepa area is not unpopulated. Members of the Aguaruna-Huambisa ethnic groups live there, some 45,000 over an area of 30,000 square kilometers. Therefore, we feel that the Aguaruna-Huambisa ethnic group ought to be consulted about any project that might affect the future of the region. Also, the members of the Aguaruna-Huambisa Council have their own plans for the Upper Cenepa region. They want a communal ecological reserve created that will enable them to undertake studies on biodiversity and market certain local resources, such as "una de gato," which is abundant in the area, or shiringa, from which a sort of natural rubber can be extracted. We know of no government plan to meet these sensible demands, which entail sending in more physicians and building communications routes and schools. Let us hope that the government realizes that the Aguarunas-Huambisas are the best guarantors of a border without war." (LA REPUBLICA, 27 Feb 95)

JPC Defends Criticisms

Javier Perez de Cuellar has stated that "all of our borders ought to be protected not only by military personnel but also by civilians who will spur advancement and progress in the towns in this zone." He later called on the people who went to Huaura Square to form a single front in light of the situation in the country. At the same time he clarified that the purpose of his criticisms of the Itamaraty Peace Declaration is simply to enable Peru to negotiate under better conditions in order to achieve a lasting peace. (GESTION, 27 Feb 95)

400 Medical Personnel to Front

Four-hundred volunteer members of the IPSS [Peruvian Institute of Social Security], including physicians, nurses, and paramedics, will be sent into the conflict zone in the next few hours. They will expand care for the wounded who are being evacuated from the battlefront to the field hospitals that have been set up there after the Ecuadorian Army intensified the fighting. (ONDA, 27 Feb 95)

Estrada Blames 'Excessive Centralism' for Border Conflict

Daniel Estrada, the mayor of Cusco, has stated that one of the painful lessons that the conflict with Ecuador is teaching us is that excessive centralism by this government was instrumental in worsening the abandonment of our borders and weakening and deactivating the incipient decentralization and regionalization that was under way.

He indicated that in the face of Ecuador's territorial designs, the best way to protect our borders is to pursue a policy of "living borders." (LA REPUBLICA, 27 Feb 95)

Chilean Observer Recounts Shelling From Coangos

Celso Moreno, a Chilean representative on the military observers mission that visited Surveillance Post No. 1 on the 24th, said that the multistage missiles launched on Wednesday morning into the Tiwinza and Cuevas de los Tayos zones came from the Ecuadorian military base at Coangos. (EL PERUANO, 27 Feb 95)

Notes, Opinions on Border Conflict

95SM0224A (Internet) Aprodeh Gopher in Spanish 2 Mar 95

[FBIS Translated Text]

Lauer: Electing Fujimori Equals Electing War

Mirko Lauer remarks that Alberto Fujimori's request that Ecuador retreat from its base at Coangos, a request promptly rejected by Sixto Duran-Ballen, shows that Javier Perez de Cuellar was right all along. Actually, the fact that Perez de Cuellar was in the right was proven beforehand, as soon as the so-called Peace Declaration of Itamaraty proved inoperative with the escalation of fighting. He holds that under these circumstances reelecting Fujimori would be like reelecting war with Ecuador, in other words prolonging indefinitely the possibility that the problem could recur, or even worse, simply never go away. Nothing less than effective diplomacy, institutional fairness, political impartiality, and international respect can guide Peru's ship of state to a safe harbor, and these four requisites do not exactly describe Fujimori. (LA REPUBLICA, 1 Mar 95)

OAS To Send Observers to Bagua

Santiago Murray, president of the OAS mission, said that he would send a group of representatives to Bagua to determine whether there has been a major displacement of people because of the border conflict between Peru and Ecuador. He indicated that should they discover that a significant number of citizens have indeed moved, it might be suggested to the JNE [National Election Board] that a polling place be set up for migrants, although he specified that the final decision would be left up to the JNE, the highest electoral authority. (GESTION/LA REPUBLICA, 1 Mar 95)

FM Official on 'Seeking Other Forums'

Juan Jose Uranga, undersecretary of Foreign Relations, said that the guarantor countries of the Rio de Janeiro Protocol would not recognize any border post as legitimate if it was taken by force by either of the two warring countries. He later indicated that the negotiations are taking place within the framework of the Rio de Janeiro Protocol, but stated that as "...we have said at the OAS, we are prepared to seek other forums if we do not achieve an effective cease-fire." (LA REPUBLICA/EL COMERCIO, 1 Mar 95)

Ecuador Favors Simultaneous Prisoner Release

A communique from Ecuador's Foreign Ministry stated that "...the Government of Ecuador is prepared to carry out the simultaneous repatriation of Ecuadoran and Peruvian prisoners of war." It further indicates that this initiative is being carried out in keeping with the Geneva Convention of 1949 and "as a gesture of goodwill." It adds that the International Committee of the Red Cross "will participate actively in this repatriation." (EL COMERCIO, 1 Mar 95)

Candidate Considers Election Postponement

Alejandro Toledo asked the administration to be forthright in informing the country about what has been happening in the Peru-Ecuador border area. Moreover, he affirmed that should the conflict with Ecuador last 3 or 4 weeks longer, he would formally request the postponement of the elections. (LA REPUBLICA, 1 Mar 95)

Document Shows Cenepa in Country

Although the Ecuadoran Government denies having recognized the Cenepa River as part of Peruvian territory when the Rio Protocol was signed, its claim is completely disproved by a report which was put out by the Borders Office of Peru's Foreign Ministry on 31 January 1942, published the next day in EL COMERCIO, i.e. three days after the signing of the Rio Protocol, and not refuted by Ecuador at that time. The document shows the Cenepa River to be entirely within Peru's borders. (EL COMERCIO, 1 Mar 95)

Duran-Ballen Critical of Guarantors

Ecuadoran President Sixto Duran-Ballen proposed amending the Rio Protocol effective this year, although he did not specify how. Similarly, he criticized the guarantors for not having shown resolve in finding a definitive solution to the border conflict. He argued that the context in which said protocol was signed has since changed. He also stated that the guarantors have not actively sought a definitive and fair solution. "They have not been protagonists, only witnesses," he said. (Dailies and weeklies, mostly from...1 Mar 95)

Human Rights Board Claims Violations

The National Human Rights Board reported that several guidelines set forth by the Geneva Convention, the Additional Protocols, and other international agreements relative to war have been violated during the conflict with Ecuador. Susana Villaran, executive secretary of the Board, pointed out that the arbitrary detention of civilians and the harassment and torture of citizens are in violation of these agreements. (LA REPUBLICA, 1 Mar 95)

FM Official Says 47 Citizens in Ecuadoran Jails

Luzmila Zanabria, director of Consular Affairs in the Foreign Ministry, reported that a significant number of

Peruvian citizens residing in Ecuador have been detained in different military facilities throughout the country, although the military authorities refuse to provide information regarding their whereabouts. She indicated that a total of 47 civilians are detained there, and the whereabouts of many of them are unknown. She explained that she is working in coordination with the International Red Cross, Aprodeh, and the Council for Peace. (EXPRESO, 1 Mar 95)

Columnist Decries Lack of Free Speech

Cesar Hildebrant indicates that as the war drags on, the ruling party is letting it be known that criticism from the opposition may be taken as an act of treason. "Since the war is dragging on, the opposition must remain silent. The president/candidate is the only one with the moral authority to appear on TV, hog the radio, and have his detractors insulted in his favorite newspaper and radio stations. Everything sounds banal in comparison to the war, so no one can speak of economic goals or programs without seeming a little frivolous. The election campaign is marked by silence and distortion. The biggest war this administration has lost is not only the media war with Ecuador and the terrible military stalemate that keeps us from raising our flag in Tiwinza. The real war this administration has lost has to do with its failure to make the liberalism that so many of us defended viable. Thanks to this defeat-ridden general, liberalism in Peru is a time bomb that is going to explode and send the pendulum swinging back to hypertrophied populism. But no one speaks of that lost war because we are losing the one on our border." (LA REPUBLICA, 1 Mar 95)

Leader Suggests Observers Carry Weapons

Ariel Pereira, the Brazilian general heading up a preliminary group of military observers who traveled to the area of conflict between Ecuador and Peru, proposed that the members of the definitive mission, who will visit the area in a week, carry light weapons. He said that owing to the presence of armed patrols and mined areas, it is advisable that envoys from guarantor countries carry weapons. (EXPRESO, 1 Mar 95)

Declaration From Goldenberg and Leoro on Agreement

The foreign ministers of Peru, Efrain Goldenberg, and Ecuador, Galo Leoro, agreed to an "immediate and effective cease-fire" in keeping with the Declaration of Itamaraty, signed February 17. The announcement was made in what has been called the "Montevideo Declaration," which reads: The foreign ministers of the guarantor countries of the Rio de Janeiro Protocol, gathered in Montevideo on 28 January 1995, held talks with the foreign ministers of Ecuador [sic], and as a result:

1. The parties are grateful to the guarantor countries for proposing this meeting.

2. The parties reaffirm their commitment to an immediate and effective cease-fire, as is formally set forth in that declaration.

3. The parties are thankful for the guarantors' efforts to arrange for observers and representatives to go to the area immediately to monitor the cease-fire and the concentration of forces at previously agreed upon points.

4. The guarantor countries reaffirm their commitment to continue fulfilling the obligations that fall to them under the Protocol, thus helping the parties to move closer to consolidating peace between Ecuador and Peru. (Dailies and weeklies, mostly from...1 Mar 95)

Reorganization of Forces in Cenepa

In light of the constant attacks by Ecuadoran troops on Peruvian positions and because of increased infiltrations by the invaders along the various fronts, the military high command decided to revise its combat strategy in Cenepa. This revision includes the strengthening of artillery forces, infantry, and antiaircraft defense at all posts located within the war zone. (Dailies, others, 1 Mar 95)

Ecuadoran Troops Encountered at Ampama

A group of elite Peruvian commandos encountered a major infiltration of Ecuadoran troops at Ampama, the home territory of the former Surveillance Post 1, near the position of Tiwinza. The invaders are reportedly a group of 200 to 300 heavily armed soldiers, but they are surrounded by national [Peruvian] troops. (Dailies and weeklies, 1 Mar 95)

Broad Support in CCD, Compensation to Relatives

95SM0223A (Internet) Constituent Congress Gopher in Spanish 28 Feb 95

[FBIS Translated Text]

Compensation to Relatives of the Dead

The minister of defense, Peruvian Army General Victor Maica Villanueva, has announced that the State will compensate the relatives of heroic combatants by giving them homes of their own. He said that to date 45 soldiers have died. As to the possibility that the conflict could spread along the entire border, the defense minister indicated categorically that neither Peru nor Ecuador wants that to happen. "We are asking Ecuador and the guarantor countries of the Rio de Janeiro Protocol for a cease-fire and a continuation of the Itamaraty Peace Accord," he stated. The general also ruled out arms shipments by Argentina. He said that no country is sending weapons. He made these remarks after attending the session of the Expanded Board of Directors of the CCD [Democratic Constituent Congress]. (Most dailies, 28 Feb 95)

CCD Appreciation for Delegations

The CCD has expressed its appreciation to the ambassadors who were on the special missions that went around the world outlining Peru's position on the Rio de Janeiro Protocol. The message of gratitude for the patriotic mission that was conducted for the nation's benefit is contained in a motion that the Popular Christian Party introduced and that was addressed to more than 50 diplomats, politicians, and intellectuals to whom the delicate mission was entrusted. (Most dailies, 28 Feb 95)

Political Parties United

At the close of yesterday's Expanded Board of Director's meeting all of the political groups that officially belong to the CCD approved a national unity accord to back the actions of the government and the Armed Forces while peace is being achieved between Peru and Ecuador. The accord that the ruling-party majority hammered out with the various political blocs calls for not debating the issue until peace has been completely assured. (Most dailies, 28 Feb 95)

Registered Voters Reported by Department

95SM0226C (Internet) DESCO Gopher in Spanish
2 Mar 95

[From Resumen Semanal 22-28 Feb]

12,256,788 Registered Voters

Romulo Munoz Arce, a member of the National Election Board (JNE), has reported that 12,256,788 citizens distributed among 69,451 polling places are qualified to participate in the general elections on the national level this coming 9 April. He explained that 149,627 Peruvian residents will vote abroad at 971 polling places that will be established in the respective embassies maintained on the five continents. The information provided by the JNE confirmed that with 4,238,755 voters distributed among 23,725 polling places, the city of Lima is the district in the country with the largest number of voters. It is followed by the department of La Libertad, with 719,864 qualified voters distributed among 3,942 polling places. Piura has 659,797 voters distributed among 3,590 polling places, while the department of Junin has 594,158 voters distributed among 3,440 polling places. The numbers of voters in other departments are as follows: Amazonas, 137,123; Ancash, 514,354; Apurimac, 156,146; Arequipa, 574,798; Huancavelica, 186,927; Huanuco, 301,267; Ica, 357,941; Moquegua, 75,806; Pasco, 11,014; Puno, 533,932; San Martin, 252,832; Tacna, 115,384; Tumbes, 68,513; Callao, 398,943; and Ucayali, 140,559. (Most dailies 22 Feb 95)

Uruguay

President, Foreign Minister Meet Iranian Official

LD0403093695 Tehran IRNA in English 0918 GMT
4 Mar 95

[FBIS Transcribed Text] Tehran, March 4, IRNA—Foreign Ministry's Director General for American Affairs Fada'i-Fard, currently in Montevideo, discussed Tehran-Montevideo political and economic ties with Uruguayan president.

Fada'i-Fard, who is in Uruguay to attend the oath-taking ceremony of the newly elected Uruguayan president, conveyed a message of congratulations from President Akbar Hashemi-Rafsanjani to his Uruguyan counterpart.

In the meeting the Uruguayan president expressed interest of his government in further expansion of bilateral ties.

In another development, the Iranian official also met with the newly appointed Uruguayan foreign minister and congratulated his appointement on behalf of foreign minister 'Ali Akbar Velayati.

Expressing pleasure with the growing trend of Tehran-Montevideo ties, the Uruguayan foreign minister said that his country is ready to cooperate with Tehran in political, international and economic areas.

He also briefed the Iranian official on his country's independent policies towards international developments.

Venezuela

Peruvian President Arrives on Official Visit

Cited on Ecuadoran Arms Supplies

PA0703215095 Madrid EFE in Spanish 2035 GMT
7 Mar 95

[FBIS Translated Text] Caracas, 7 Mar (EFE)—Peruvian President Alberto Fujimori today categorically denied that either Argentina or Venezuela supplied weapons last month to Ecuador during the undeclared war between Ecuador and Peru.

"I have personally spoken with high-ranking representatives of the Argentinan and Venezuelan Governments, and both have given me categorical, honest, and very direct replies in the sense that there is not and has never been any type of arms trafficking," Fujimori said today at a news conference in Caracas.

Fujimori did not attend the Bolivarian presidents meeting held in Cumana (Venezuela) in February. He arrived for an official eight-hour visit today, and he went to pay homage to the South American hero Antonio Jose de Sucre on the bicentennial of his birth.

According to the Peruvian president, the reports on the traffic of weapons between Argentina, Venezuela, and Ecuador "is totally baseless and, in addition, makes no sense."

The Peruvian leader asserted: "I understand that there has never been and never will be trafficking of arms among members of the same family when some are involved in a conflict. When two brothers are fighting, the other members of the family cannot stoke the fire."

The report on the alleged arms trafficking between the three countries was published by the Argentine press today. One report said a shipment of weapons, which had been sold by Argentina to Venezuela, had been diverted to Ecuador while the armed conflict was being waged with Peru, some time between the latter part of January and early February.

Fujimori did not give any creedence to this report, and he added that he had talked about the issue with Venezuelan Foreign Minister Miguel Angel Burelli, who gave him ample assurances that the Venezuelan Government had remained absolutely neutral while the clashes were taking place at the Condor Mountain Range.

Denies Offering Free Trade Zone to Ecuador

PY0803032095 Lima Global de Television Network in Spanish 0130 GMT 8 Mar 95

[FBIS Translated Text] Peruvian President Alberto Fujimori today paid tribute to Marshal Antonio Jose de Sucre in Cumana, Venezuela. Fujimori had a tight agenda both in Cumana and Caracas, where he held a meeting with Venezuelan President Rafael Caldera.

Before returning to Lima, President Fujimori held a news conference, during which he denied that Peru had offered a free trade zone to Ecuador as the border conflict developed. He explained that this had been proposed in 1992 but was rejected. The following is a report on Fujimori's activities:

[Begin unidentified reporter recording] Upon his arrival in Cumana this morning, President Alberto Fujimori was welcomed by President Rafael Caldera. Fujimori was accompanied by Foreign Minister Efrain Goldenberg and the education and defense ministers.

Fujimori was decorated and declared an illustrious guest during a ceremony held at the Ayacucho Plaza in Cumana. Later, he laid a wreath before the statue of Marshal Antonio Jose de Sucre. During the brief speech he delivered in this ceremony, President Fujimori stressed the need to defeat old systems that isolate us and spur conflicts among brothers. He added that the memory of Sucre must illuminate the minds of Latin Americans in their constant search for peace, development, and happiness for our countries.

After the ceremony, President Fujimori left for Caracas, where he visited Liberator Simon Bolivar's mausoleum. After paying tribute to the liberator, Fujimori went to the Miraflores Palace to attend a luncheon that President Rafael Caldera hosted in his honor and to discuss bilateral issues.

Before concluding his 8-hour visit to Venezuela, President Fujimori held a news conference, which was centered on the conflict with Ecuador. Regarding the establishment of a free trade zone, Fujimori said this was proposed in 1992, on the occasion of his visit to Quito. He added that Ecuador had rejected this proposal and that nothing was done. Fujimori said: Perhaps a new Peruvian Administration will reassert the proposal once the demarcation of the border has been completed.

Fujimori also said that we must praise the fact that Ecuador has recognized the prevalence of the Rio de Janeiro Protocol after 35 years and that guarantor countries—Argentina, Brazil, Chile, and the United States—have assumed their full responsibilities.

Before concluding the news conference to return to Lima, Fujimori reasserted that Peru did not provoke or start the war. He said that it simply defended its territory in view of similar circumstances that resulted in a border conflict with Ecuador in 1981. [end recording]

Further Remarks on Trade Zone

PA0803043195 Caracas Venezolana de Television Network in Spanish 0200 GMT 8 Mar 95

[Report by Jose Marcano and Melissa Soto; from "The News" newscast]

[FBIS Translated Excerpt] [passage omitted] Peruvian President Alberto Fujimori arrived in Venezuela to take part in events honoring the memory of Marshal Jose Antonio de Sucre.

After being received at Cumana Airport by Venezuelan President Rafael Caldera, Sucre Governor Ramon Martinez, and goverment officials, Alberto Fujimori carried out the protocol activities organized to commemorate the 200th anniversary of the birth of Jose Antonio de Sucre.

After placing several wreaths before the statue of the Ayacucho hero, both presidents stressed the need for integration between Peru and Venezuela, which was the objective sought by Marshal Sucre.

[Begin recording] [Caldera] The fraternity between both nations is unbreakable. It was [words indistinct] by the sacrifice and forged by the blood of the liberators. As I said during your arrival at Cumana Airport, please feel as if you are in your own home. Peru and Venezuela are and will continue to be brothers forever.

[Fujimori] I was unable to be physically present during the events commemorating the 200th anniversary of the birth of Narshal Jose Antonio de Sucre. However, I was here spiritually, and with this opportunity, I would like to have the presence of Peru, its government, and its people felt more in the events taking place this year commemorating the 200th anniversary of the birth of Marshal Sucre. [end recording]

The stay of both presidents in Cumana extended until noon when they left for Caracas where Fujimori honored Marshal Sucre and participated in other activities. [passage omitted]

During his short visit to our country, President Alberto Fujimori expressed his optimism with regard to relations with Ecuador for the benefit of Latin American integration. Nevertheless, he clarified that there has been no offer or agreement for the establishment of a free zone with Ecuador.

[Begin Fujimori recording] I categorically deny that there has been any such offer with regard to the establishment of a free zone during this conflict period. It would be unthinkable to believe that after this conflict, without the other steps of the Rio Protocol having being met, the Peruvian president would make such an offer. [end recording]

Fujimori also stressed that the border territory of Tihuinza belongs to Peru.

[Begin Fujimori recording] That region that we have fought so hard for is Peruvian territory. It is possible that there might be names originating from our brother nation of

Ecuador that may have been transferred to Peruvian territory. There is no weapons trafficking. How can there be any weapons trafficking? I cannot believe that there could be another Latin American nation profiting while two brother nations are involved in a conflict. [end recording]

Finally, President Fujimori explained that the cost of the war with Ecuador in no way affected the government's macro-economic program.

Minister Pleased With Arrest of Colombian Rebel

PA0703190195 Caracas EL NACIONAL in Spanish 6 Mar 95 p D-1

[Report by Luisana Colomine]

[FBIS Translated Text] Venezuelan Foreign Minister Miguel Angel Burelli Rivas said yesterday he was "quite pleased" with the information, received through international news agencies, on the arrest of the leader of the Colombian guerrilla group that attacked the Venezuelan Navy border post at Cararabo, Apure State.

Although Colombian President Ernesto Samper has informed his Venezuelan counterpart, Rafael Caldera, of this event during a telephone conversation on 4 March, Burelli has said he still had not received an official confirmation of the arrest.

"The information has pleased us, and we hope to receive its confirmation as well as the confirmation on the arrest of other people—I believe they amount to 18—involved in this despicable act."

The ranking official also expressed his satisfaction with the recovery of several weapons used during the border attack, "because this recovery demonstrates they caught the perpetrators, or at least several of them."

Awaiting the Colombian Government's confirmation of such actions, Burelli Rivas has said the Armed Forces of both countries will formalize in forthcoming days "an effective cooperation program that is to be implemented immediately." The foreign minister did not give more details on the "effective cooperation program."

[EL NACIONAL] Deputy Walter Marquez believes the man arrested should be turned over to Venezuela.

[Burelli Rivas] That would be ideal, but the new Colombian Constitution does not allow the extradition of its nationals. If the man is the guerrilla leader, we would look for a way to present charges in the name of the Republic of Venezuela before the Colombian court.

[EL NACIONAL] What is your opinion on the reports stating Venezuelans were in the group that attacked the Marines?

[Burelli Rivas] Those are speculations. None of it has been proven. Many things have been written about this case.

The foreign minister has expressed regret that the media had only highlighted out of his latest statements that "Colombia is not to be blamed." Burelli Rivas has said "I believe I know my job."

President Caldera Addresses Congress

PA0503182695 Caracas Venezolana de Television Network in Spanish 1836 GMT 2 Mar 95

[Speech by President Rafael Caldera marking the closing of the special legislative sessions and the beginning of the ordinary sessions at the congress building in Caracas on 2 March—live relay]

[FBIS Translated Text] Mr. Senate President; Mr. Chamber of Deputies President; Messrs. Senators; Messrs. Deputies: The government receives, with due republican courtesy, the notification made by the spokesmen of the legislative chambers on yesterdays' closing of the special sessions, as well as the beginning today of ordinary sessions for the present year.

In spite of everything, the executive deems this action positive. It deems it positive that the country is informed that the regular functioning of its public powers continues. As part of this conviction, the executive recognizes among the members of the legislative chambers the desire to participate in the discussion and decision of affairs concerning the country, as it did by convening a special session, which tied in with the beginning of ordinary sessions for this year.

We would have preferred, I must confess, that during the ordinary sessions a series of urgent laws had been approved to deal with the serious problems of the country. We understand that this was not accomplished and hope that at the beginning of the ordinary sessions these undoubtedly important initiatives will be followed up. Among these initiatives is, for instance, the Financial Emergency Law, the passing of which may normalize the situation. It would permit us not to use the special powers granted upon us by the Constitution in emergencies.

The government also deems it positive that the legislative chambers—at least this is what we understand based on the statements by the spokesmen of both chambers—are aware of the serious problems the country is facing. In light of this situation, I must remind you of Article 118 of the Constitution, which delineates the attitude, longing, and desire of most Venezuelans in this case. Article 118 of the Constitution states that each public power branch has its own functions, but the organs responsible for exercising the same will cooperate among themselves and with the state.

The responsibility before us belongs to us all and, as part of the current situation, there is no doubt that recognizing the serious problems we have requires that we set aside unnecessary differences. Said differences are undestandable within a democracy that progresses normally and peacefully, but are difficult to understand when a country goes through the difficult situation Venezuela went through and is still enduring.

We thus hope that congress—aware as it must be, as inferred from the statements made this morning by its leaders, of the tremendous difficulties the country is facing—does not spend time on unnecessary discussions or undermines the desire to empower the executive branch with enough authority to face the serious circumstances the country is presently facing.

Regarding the financial emergency, for instance, the country blames the government for everything that goes wrong, while the legislative chambers discuss whether a theoretical autonomy must be maintained. This autonomy causes dissent and obstructs initiatives. It must be necessarily understood that autonomy should exist under peaceful and normal situations, but not under the current situation Venezuela is experiencing.

I sincerely beg the representatives of the legislative chambers to take the issue of constitutional reform seriously. This is being demanded urgently by the country, not only now but for a long time. The executive branch has maintained a firm and constant attitude in this regard.

I am convinced that a great consensus exists on the majority of the amendments the bicameral commission I was privileged to chair proposed. The two or three admittedly important issues still pending, since no consensus has been reached, have served to delay the process, to the extent that many Venezuelans feel that the intention is to postpone indefinitely this fundamental aspiration of the nation. For this reason, some are trying to suggest to the country other solutions that are not wanted by those who have devoted their entire lives to the struggle for democracy, republican institutions, and the preservation of the constitutional regime. On behalf of the government, I hope that the outlined problems are addressed not with the criteria of an accuser before the accused but of persons who share a responsibility for the fate of the country, so we can join our efforts. When I talk about state branches, I cannot omit my interest in dealing with the situation of the judicial branch. There are many Venezuelans in this branch worthy of the rank of magistrate, but the state of affairs that exists there requires that we face it with urgent and decisive measures so the country can recover the confidence it indispensably must have in the persons in charge of administering justice.

I proposed in the constitutional amendments bill a truly dramatic—if you can call it that way—and drastic measure. I proposed the creation of a top judicial commission representing the interests of civilian society as a whole to remove from their posts those judicial officials whom the people know full well... [pauses] are improperly performing their lofty mission, which is to administer justice. If we cannot achieve this, because the constitutional amendments are postponed indefinitely, let us proceed swiftly to amend the Judiciary Council Charter and Judicial Career Charter so we can truly establish norms that prevent the indefinite postponement of causes...[pauses] corruption that is widely the norm and is creating a situation against which the general conscience of the nation is clamoring. [sentence as heard] I must say, for example, that in order to request an outlaw's extradition, an indictment has to be handed down. A series of measures, acts of corruption, and maneuvers have been devised to keep the indictment from being issued. All of a sudden, a judge fortuitously arises from some state and brings up the issue of jurisdiction with the idea of halting a trial. We told the Supreme Court of Justice to put a stop to this ploy employed to the detriment of the administration of justice in the country.

For example, in one way or another, different judicial employees—some of them perhaps in good faith, many of them corrupted by the money of lawbreakers —are preventing the implementation of the extradition procedures that treaties and the Civil Procedure Code establish. On account of this and many other issues we must resolve and to which we must provide a solution, the executive and the legislative branches, as well as the judicial branch, have the obligation to meet the needs of the country. We cannot appease our conscience by announcing, through often-repeated statements as is the political custom, the situation we are facing if first we do not examine our conscience to establish the share of the responsibility every one of us bears and pledge to work together for the wellbeing of the nation.

That is why I feel that Article 118 of the Constitution is currently fully in force. Each state branch has its own functions, but the organisms tasked with fulfilling them must cooperate among themselves for the sake of the state. I am convinced that today's elections of the board of the directors of the legislative chambers has been positive in that respect. They are not the result of any pact or a shameful situation or negotiation. They are the result of the awareness that prevails in the legislative branch and was manifest today that said that Article 118—that duty to cooperate— cannot be broken because of mere interests or stances—that may be regarded advisable or unadvisable at any given time—or actions that may serve to vent the resentment of those who failed to interpret at a given time, and are still unable to interpret, the true sentiments of Venezuelans and the needs of the nation.

In addition, Gentlemen, I want to refer to a single point since next week, according to the constitutional mandate, I will present to the legislative branch my first state of the union address, in which I will inform you of the basic results obtained by my government in 1994 and will point out the fundamental guidelines leading the actions of the national government.

I do want to mention that we believe that the Venezuelan borders are abandoned and that the program to develop our southern region, which was promoted during my first administration, was regretfully abandoned. We are currently taking all the necessary measures: we have reactivated the National Border Council; we are studying a serious project to develop the vast southern region; and we have created a very high-level commission to promote the sustainable development in the southern region. We will not be able to see the results of these initiatives in one week or a few months, but they demonstrate our resolve to serve a Venezuela of the future, a Venezuela that has been so neglected and mismanaged that anywhere one moves, one finds mistakes, neglect, disregard, and all sorts of mistakes in the exercise of public administration.

I want to conclude by telling the senators and the deputies the following: our country's democracy and peace will not be destroyed despite whatever is being said to this effect as some sort of intentional prophecy. Our democracy will survive because Venezuelans want it and because we want to live in freedom and guarantee the exercise of our rights. There is peace because Venezuelans reject violence and the calls for violence, which they hear every day and which the national government tolerates because it believes tolerance is sometimes preferable over strictly enforcing the laws on those who are proclaiming, in one way or another, actions that jeopardize the state of right.

Senators and Deputies: Those violent calls and movements being proclaimed and promoted, in one place or another, will fail because the people want peace, the government is willing to defend this peace, and the Armed Forces jointly support the government of the republic in its defense of democracy, peace, and the institutions. [applause]

Bank Superintendent Tenders Resignation

PA0703120995 Caracas Venezolana de Television Network in Spanish 0200 GMT 7 Mar 95

[From "The News" newscast]

[FBIS Translated Text] Bank Superintendent Tesalio Cadenas has resigned at the Miraflores Palace. After doing so, he declared that the most difficult phase of the financial crisis had ended, the assessment of the crisis had been completed, and that what was now needed was to find a way to strengthen and capitalize the financial system. This phase, Cadenas asserted, has to be carried out by the new Emergency Finance Board. Those who worked during the initial part of the crisis have to allow new people with other ideas to step in, the former Bank Superintendent stated. He also clarified that he had not been pressured into resigning.

[Begin Cadenas recording] I came to talk with the President. I offered to resign. [end recording]

Regarding the Bank Superintendent, the organization will now have a more technical role and its actions will only address the financial crisis. Deputy Bank Superintendent Augusto Francisco de Vera will replace Tesalio Cadenas as new head of this office.

With Norys Aguirre [president of the Deposit Guarantee and Banking Protection Fund, FOGADE] leaving first and Tesalio Cadenas formally tendering his resignation to President Caldera now, the reorganization of FOGADE and the Bank Superintendency can be firmly implemented. Such an action will benefit the Venezuelan financial system as it will enable both institutions' credibility to be regained.

[Begin recording] [Unidentified reporter] Will the government now have a open path with his [Tesalio Cadenas] imminent resignation?

[Finance Minister Luis Matos Azocar] No, I would say, as it has also been admitted here, that it is necessary to have a single banking authority to be able to advance. Work is more difficult when completely autonomous organizations have authority during a crisis situation, which is when the greatest degree of coordination and cooperation is needed. I believe we can work more effectively now that we have a new crisis management system. [end recording]

After Tesalio Cadenas resigned, the finance minister announced that there will not be a Matos Plan but rather a program that is to be coordinated by the economic cabinet.

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